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The Teaching of Economics - A Radical Approach to Economics: Basis for a New Curriculum

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THE TEACHING OF ECONOMICS

A RADICAL APPROACH TO ECONOMICS: BASIS FOR A NEW CURRICULUM*

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I. Introduction

The purpose of this paper is to outline a radical approach to economics and to suggest how several important social problems might be dealt with in that framework. Our effort to develop a new curriculum is motivated by the conviction that the orthodox approach to economics cannot deal with the important problems of modern society.

Orthodox economic analysis as presented from the elementary course through the graduate seminar is based upon an acceptance of the status quo in social relations. Microanalysis presupposes the individualistic ownership and decision-making systems typical of capitalist societies, and in this narrow context the pecuniary behavior of firms and individuals is examined. In macroanalysis, when the aggregate operations of these individual units are the subject matter, attention is focused on the fiscal and monetary adjustments necessary to keep the system smoothly functioning. All in all, the curriculum of modern economics is one of philosophic marginalism: existing social relations are taken as a datum and the problem is one of administering the system by adjustments around the edges.

The marginalist approach is useful only if, accepting the basic institutions of capitalism, one is primarily concerned with its administration. If one questions the virtue of capitalism as a system, then the basic social relations and the institutions of the system themselves must be subjected to analysis. A new approach is necessary.

The old approach—that which accepts capitalism and is in general the basis of present economics curricula—cannot deal with the problems of modern society. All that the curricula say about the war in Vietnam is how it can be financed more efficiently. The very existence of imperialism is denied. Racism, it is taught, has its origins in personal preferences, and the poverty of blacks and others is “explained” in terms of their low productivity. The destruction of the environment enters the curricula only as an aside when the existence of “externalities” is pointed out as limiting the theory. The subjugation of women, the meaninglessness of work activities, and the alienation of workers are topics which do not enter the curricula at all. Socialist alternatives and the process of revolution are examined only in terms of the value system of a capitalist environment.

It is our contention that such issues—their historical existence, causes, dynamics, and consequences—should be central to a new economics curriculum. This curriculum would reflect the motif of modern American capitalism: conflict and power. Attention would be focused upon the basic economic institutions of capitalism and the class divisions which those institutions foster.

In Sections II and III we lay out a basic substantive argument for a radical approach to economics, which can be summarized as follows. We begin with an analysis of the fundamental capitalist institutions. These institutions function so as to limit the range of social outcomes available; we show how the social problems mentioned above (income inequality, alienation, imperialism, and so forth) are directly attributable to the operation of these institutions. But the basic institutions also confer power differentially, favoring those who already benefit from the
economic system. Therefore, of the limited social outcomes potentially available, there is a tendency to choose those outcomes least conducive to a decent society. We discuss (in Section III) how this power is exercised, particularly through the state, in the service of class interests. In Section IV we conclude with some remarks about methods of teaching. A statement on grading is included as an appendix.

II. Conflict, Power, and Institutions

The problems we have cited as providing the motivation for a new economics curriculum—imperialism, inequality, alienation, racism, etc.—directly involve economic conflicts; that is, in each case there are social groups with contradictory economic interests. Conflicts are decided through the exercise of power and through the operations of institutions. More precisely, power—the ability of groups or individuals to resolve conflicts in their favor—is not exercised in a vacuum; rather it is always exercised within a well-defined environment of economic institutions which place strict limitations on its scope of operation.

For example, in the determination of wages in a capitalist society, the institutional environment narrowly confines the scope in which collective bargaining, a process involving power, takes place. First, the bargaining is predicated on the assumption that the struggle is one over distribution of "excess profits"; that is, over what is left after all the "costs" of production ("normal" profits and socially unnecessary expenditures such as advertising, as well as socially necessary costs) have been subtracted from total revenues. In the context of capitalism, the size of these costs is nonnegotiable. Indeed, in the context of capitalism, it would likely be against the interests of the workers involved to cut into these costs because doing so might force the firm out of business. Second, once a negotiated agreement regarding wages has been reached, it can often be vitiated by price increases. Thus, both before and after its operation, power in the bargaining situation is severely constrained by the institutions of the system.

One hypothesis which lies at the core of a radical approach to economics is that basic economic institutions to a large extent determine the nature of social relations and the outcomes of social conflict processes; that is, social decision making is largely organized and effected through the basic economic institutions. This hypothesis involves two questions. First, to what extent do institutions directly determine social relations and the outcomes of social conflict processes? Second, to what extent is the distribution of power among groups and individuals determined by the structure of institutions?

In considering the role of capitalist institutions, we emphasize as basic (that is, system-defining) institutions the following: the market in labor, in which labor is treated as a commodity and allocated on the basis of the highest bidder; control of the work process by those who own and control capital, including the concomitant loss of control by the worker over his activities during the hours of work; the legal relations of ownership, by which income distribution is determined through payments to owners for the use of their productive factors; *homo economicus*, the system of personality traits characteristic of and functional to capitalism, including especially the system of individual gain incentives; and the ideology which abstracts and organizes "reality" in such a way as to justify and facilitate the operation of the other institutions.

These institutions create several of the social problems we have mentioned: income inequality, alienation, destruction of the environment, and imperialism. Furthermore, racism and the subjugation of women become functional in a society organized by these institutions. The arguments we shall suggest next are intended to make explicit the links between the operation of capitalist institutions and these problems.

The Consequences of Capitalist Institutions: Income Inequality. Tendencies toward inequality are an integral part of the functioning of capitalist institutions. Consider first the consequences of a market in labor. In order to insure that the vast majority of workers will sell their labor power on the market, it is important that workers not have the option to work for themselves; that is, it is necessary that workers own no factors of production other than their own labor [38, VIII]. As a result, capital ownership must be concentrated in the hands of a relatively small number of nonworkers. Furthermore, as long as material rewards are the main motivation for work, the incentive structure required to induce workers to acquire and apply productive skills must be char-

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1 See Polanyi in Dalton [14, 15] [37] for discussions of the operation of capitalist institutions and their development.

4 While "owners" and "controllers" are not necessarily the same persons, as a group they define the goals of the capitalist firm to be profit maximization; on this point see Baran and Sweezy 3 and Solow 52 who counter Galbraith [21]. All we require here is that firms "approximately" maximize profits, or that they do so in the "long run."
characterized by significant inequalities in labor earnings. The capitalist's side of the production process makes similar demands. First, substantial reward differences are needed in order to induce entrepreneurs to perform their social functions as innovators, production organizers, and risk-takers. Second, given economies of scale in production (either technological or those deriving simply from market power, etc.) and given the institutional association between capital ownership and control of the productive process, concentration of ownership necessarily develops.

Finally, profit maximization leads to a rapid rate of technological change. In a market setting, the capacity to exploit profitable innovations depends on the ability to raise the necessary capital. Once inequalities begin to develop (or given historic inequalities), this ability is unequally distributed. As a result, the rewards of technological change, which are often considerable, tend to be distributed to those who are already at the top of the income distribution, lending a further tendency away from equality [50]. The above tendencies of technological progress operate even in the absence of biases which directly reduce the labor share of income in the choice of capital- or labor-saving technology. In a society with more or less competitive factor markets but with collective control by capitalists over research and development, it can easily be shown that the selection of the pattern of technological progress will be to the disadvantage of labor.

These tendencies toward inequality derive directly from the fundamental institutions. We would not argue, however, that the distribution of income is entirely determined by the operation of capitalist institutions. Income determination is—perhaps above all else—a struggle. One of the principal aspects of this struggle is the effort by groups to increase the prices of the factors they own. Thus, the income struggle can be viewed as a class struggle, where classes are defined in terms of their relation to the means of production.

Alienation. The leisure-labor dichotomy characteristic of neoclassical economic analysis reflects an acceptance of the notion that in general, labor or work activities will be nonfulfilling drudgery undertaken to secure an income, and that creative activities leading to individual development must necessarily be nonwork ("leisure") activities. There is considerable anthropological evidence that this division of life is historically specific to labor-market societies, and that productive activities have not always been separated from creative, developmental ones [14, pp. 19-25].

Within capitalist society, the capitalist's control of the work process means that the workers—that is, those who sell their labor on a market—do not determine the technological or social organization of the work process; likewise, they do not determine what product will be produced or what the product will be used for. Thus, the worker is separated or alienated from both his work activities and his product. Likewise, since labor power cannot be separated from the laborer himself, control by the capitalist of the worker's labor carries with it control of the worker's life during the work day.

Under these circumstances, work activities are

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Marx [39] provides the classical statement of the process of alienation. Readings based on the more modern situation include [22] [12] [6] [28] [20].

More generally, insofar as a trade-off exists between the quality of the work process and maximum profits, in capitalist society the former will always be sacrificed to the latter. This situation is illustrated graphically below.

![Graph showing the relationship between profitability, quality of work, and worker and capitalist preferences.](image)
in general neither creative nor self-developmental. The worker has no intrinsic interest in either his direct activities or their goal, and motivation must then take the form of working for the extrinsic incentive of wages. As pointed out above, for wage incentives to be effective, considerable inequality (and therefore considerable reward for working properly) must exist.

But solving the problem of motivation in an alienated work environment is not left to wages (and the requisite wage inequality) alone. In modern capitalist societies, the United States in particular, the educational system serves the function of preparing workers for the conditions of their employment. The educational system disciplines the work force.

Most people on the job find little use for those cognitive abilities acquired in school, other than the most elementary ones (the "three R's") or, insofar as they do, they could just as well have learned those abilities on the job. On the other hand, coming on time, following directions and learning to respect authority, learning to work for external incentives (grades), and budgeting time are modes of behavior, affective traits, which the school instills and the job requires. Thus the schools prepare, by experience, their students to function effectively in an alienated environment.

The consequences of alienation are obviously very great. When the organization and purpose of one's major life role—i.e., work—are externally controlled and motivated, that role and life itself tend to become meaningless. Character development and self-expression are distorted and stifled by the work environment and achieve only stunted realization through nonwork activities. Cynicism—towards oneself, towards others, and towards society—tends to be the result.

The worker's alienation can be viewed as a fragmentation of his existence: his working hours are not controlled (arranged, organized, or motivated) by him and are therefore fragmented from the rest of his existence. His family, his recreation, his intellectual activity are not integrated with work activity which dominates his life.

Furthermore, even his work activities are fragmented: capitalist production drives towards a technology with an ever finer division of labor, so the worker cannot even participate in production of a complete product.

Alienation is not a "cost" to workers which can be recouped through a higher supply price of labor. In the first place, workers are not able to extract higher wages as "compensation" because there are few if any meaningful nonalienating alternatives available to them; that is, alienation is pervasive throughout the capitalist economy. Furthermore, insofar as a variety of work conditions does exist, stratification of labor markets insures that persons in alienating work environments have only similar environments as alternatives (a bureaucrat typically does not have the option of becoming a doctor). Also, the lack of creative, self-developmental work activities insures that workers will not demand such a work environment: their preferences (like everyone else's) are molded by their environment, and the absence of nonalienating alternatives allows workers no basis on which to change their preferences.

Destruction of the Environment. Capitalism is usually credited—by Marx, Schumpeter, and many others—as being a system which attains maximum output expansion from a given resource base. Markets and *homo economicus* prove to be powerful tools for organizing an economy towards growth. The ideology of capitalism, in turn, places high value on the rise of material output.

The acceptance of aggregate output per se as an indicator of welfare, however, would be at best a questionable procedure. The prices at which aggregate output is valued are reflections of the existing distribution of income and the preferences engendered by the system. They therefore cannot be endowed with any objective welfare meaning. Furthermore, the very process of output expansion has consequences outside of the market which are detrimental to social welfare.

The capitalist growth process has historically involved the fracture of community. This process takes many forms, including current phenomena: traditional, nonalienating work processes are destroyed by competition with modern industry; agricultural communities are decimated by the

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Of course, in a society where workers' preferences dominated, the transformation locus might look very different, due both to a different motivational orientation of workers and conscious development of new technologies consonant with higher quality work. More on this argument, especially with regard to the role of grades, is provided in the appendix. Useful readings concerning the function of schools include [24] [48] [27] [19]. It should be noted that what has been said about alienation and education in the capitalist environment could also be true in other modern, highly bureaucratized and organized societies. Thus, while the elimination of capitalism is a necessary condition for the elimination of this problem, it is not a sufficient condition. On the personality requirements of bureaucracy, see [22] [42].

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7 On the issue of fragmentation of life, see readings listed in the preceding footnote as well as Polanyi in [14] and [29, especially pp. 243–68].
introduction of new technology; cities grow and decay depending upon the vagaries of the market; urban inhabitants experience anomie because their communities are functionally fragmented. Community is not a good which can be produced for market sale.

Because the capitalist controls the work process and his goal is profit maximization, there will be no tendency to minimize costs which fall on others. Indeed, for any given level of costs, there will be an effort to maximize the share of costs borne by others. These extramarket costs take the form of fracture of the community, water and air pollution, congestion, “urban sprawl,” etc.—a general destruction of the environment which cannot be viewed as a secondary issue but one of dominant importance in the society. Furthermore, capitalists’ efforts to choose technology and to organize production so as to minimize their own, but not social, costs insures that the importance of the problem increases over time. (The rich are often able to protect themselves from pollution, by zoning for example.) Thus the rise in concern regarding problems of pollution is in no way surprising, nor should it be surprising that anti-pollution groups make headway only when the problems become severe. To halt the destruction of the environment, it would be necessary to restrict seriously the operation of basic capitalist institutions. Thus human needs become subordinated to the needs of the market and to capital expansion.

Imperialism. Subordination of human needs to the needs of capital expansion has been a pervasive characteristic of capitalist growth, and this process has been carried out, not only domestically, but also on an international scale. The geographic spread of capitalism derives from the operations of its basic institutions. First, the individual gain rationale of capitalism leads constantly in search of new sources of profits. For the firm, continued well-being depends upon finding new, profitable uses for its previously accrued profits. Second, the opportunities for assuring the availability of such investment opportunities are greater, the greater is the geographic scope of the system.

The spreading of the system has been a characteristic of capitalism throughout its history. It has involved breaking down the restrictions on the operation of the market, on the capitalist control of the work process, and on the system of individual gain. Earlier, the problem was one of creating nations and then spheres of influence. Today, when one capitalist nation has become dominant, the problem is one of integrating an international capitalist system. This integration means at a minimum that the nefarious aspects of capitalism—inequality, alienation, destruction of environment—are spread, or, insofar as they already exist, they are maintained. However, because this integration takes place under the dominance of the business interests of an advanced capitalist nation, the output expansion capacity of capitalism is not necessarily transmitted to the poorer countries. First, simply the operation of comparative advantage which operates in an integrated capitalist system would inhibit industrialization and growth in poor countries. Second, the monopolistic conditions of business in the United States allow even less opportunity for development in poor countries. Because of its power, which operates both within and outside the market, U.S. business (or business from other advanced capitalist nations) is able to preempt investment opportunities and inhibit the development of a historically progressive industrial bourgeoisie in the poor countries. Finally, the interests of international capital require the maintenance of a “favorable investment climate” and so the state power of advanced countries is used to prevent radical political and social change in poor countries.

Racism. Racism in the United States can be seen as functionally supportive of the interests of capital. In our discussion of alienation, we asserted that the segmentation and stratification of the labor force is one mechanism by which labor is prevented from obtaining a higher wage for undertaking less desirable jobs. Black people clearly comprise one of the most oppressed segments of the labor force in the United States. They are restricted to the most undesirable jobs and they are paid the lowest wages.

It is often alleged that white workers benefit from racism and that the losers are the capitalists who are prevented by racism from hiring blacks. Such an allegation is true, if at all, only in the static sense when total labor income is fixed. The division of the labor force by race, however, weakens the position of workers as a group, and their share of income is consequently reduced. Demands by white workers are attenuated by the threat of being replaced by workers from the black labor pool.

Useful references putting forth the radical analysis of imperialism include [56] [36] [18] [2] [32]. On the history of U.S. imperialism, see [31] [61] [47].

Michael Reich, in his investigation of the relationship between racism and class divisions, has found that racial inequality between blacks and whites (as measured by the difference between white and nonwhite median incomes) is significantly and positively related to class inequality among whites (as measured by the Gini coefficient for white incomes). See [53, Chap. VII and passim].
Furthermore, antagonisms of white workers are directed by racism towards blacks rather than towards employers; that is, institutionalized racism dilutes awareness of class divisions. When the animosity of white workers is directed against blacks, the white workers see themselves as having a stake in the system—they are not at the bottom.

The Subjugation of Women. The segmentation of the labor force, of course, involves many divisions other than race. Extensive division by "skill" and education categories is of obvious importance. The division by sex and the concomitant subjugation of women pervade the entire society. In this paper we will only point out that there are many parallels to racism, and the points we have made above, especially those regarding the functional role of stratification in allowing low wages to be paid for undesirable work, are again relevant. Indeed, for most of their labor, namely, housework, women receive no wages as such and have very little choice in the matter [46] [5].

Summary. In this section we have suggested arguments regarding the relationship between important social problems and the institutions of a capitalist society. We believe that the general analysis forms a basic component in a radical approach to economics. The points we would like to emphasize in summary are the following:

1. The negative characteristics which we have ascribed to capitalism are completely compatible with successful, rapid expansion of output. Indeed, it is in the very process of yielding a maximum output (maximum profit) situation that the institutions of capitalism yield income inequality and alienation, for example. Thus, the analysis is only in small part based upon the occurrence of business cycles, unemployment, etc. In essence, the critique is fully applicable when the capitalist economy is in boom. And however one may value output versus other variables which contribute to welfare, it seems obvious that the greater the output, the less valuable it is relative to the other variables. Thus a capitalist society becomes increasingly less tolerable.

2. The core institutions of capitalism interact in such a way as to determine social relations and circumscribe the outcomes of conflict situations. First, these institutions work in a parallel fashion to produce a class society. Reliance on individual gain incentives, capitalist control of the production process, and the legal relations of ownership insure that capitalist development will produce division into classes. Second, the core institutions are highly interdependent in that they sustain and facilitate the operation of each other; the functional interrelations are such that severe alteration of any one is incompatible with maintaining the others.

3. The acceptance of capitalist institutions carries with it certain constraints on the functioning of the society. These constraints usually take the form of conflicts between alternative social needs. For example, the trade-off between output growth and income equality exists within the context of capitalism. The trade-off is created by the functional requisites of the institutions. But we can easily imagine a society in which such a trade-off would not exist. Such would be the case if men worked because they cared for and felt on equal terms with the entire community rather than if they worked for direct personal gain. Other examples of such generally accepted trade-offs, which are artifacts of capitalism, include income growth versus a meaningful work environment, employment versus stable prices, private versus social costs, public versus private consumption, and income versus leisure.

4. The core capitalist institutions tend to subordinate other institutions to serve their needs. We have illustrated with the case of education (other examples would be the family and religion) how other institutions serve the needs of the economy. In this sense, capitalism may be characterized as an "economic society."

There are, of course, limits to the extent to which capitalist institutions shape society, and a curriculum based only on the argument to this point would certainly be deficient. Thus, we now turn to a consideration of the exercise of power—in particular, the role of the state—in the context of capitalist institutions.

III. The Exercise of Power

Class Divisions in Capitalist Society. As we have noted, the development and operation of capitalist institutions divides society into classes. First, class division is a prerequisite for the effective organization of the institutions: most of the population must be reduced to worker status while simultaneously a capitalist elite is created and its existence justified. Second, the basic institutions function so as to augment the wealth, power, and privilege of that elite.

The analysis of economic institutions which leads to these conclusions provides a basis for examining the exercise of power—the ability of groups to resolve the outcomes of social conflict processes in their own favor. First, the analysis provides the working hypothesis that economic organization is the basis of power. Second, the analysis emphasizes that the different classes have conflicting interests with regard to the maintenance of the existing social relations. Together,
these statements would lead us to hypothesize that power in a capitalist society is dominated by the capitalist class, and since social conflict may lead to instability in the institutions themselves, the class exercises power primarily to maintain the institutions which function in its favor. The intervention of power—to deflect political threats, depoliticize class conflict, and so forth—assures the smooth functioning of capitalism.  

The Operation of Ruling Class Power—The State. An example of the interaction between the operation of institutions and the exercise of power is provided by the recent history of welfare programs. As we have pointed out in Section II, an unequal income distribution results from the functioning of the labor market, the system of individual gain incentives, and the linking of income to ownership and sale of productive factors. There are, however, several secondary forces which exacerbate inequality, and the reality of capitalism is even worse than the model. First, there are many family units which own no salable labor or other factors of production: the sick, the aged, the disabled. Second, there are those who own labor power but who are discriminated against in the labor market: blacks, other non-whites, and women. Third, income inequalities are exacerbated by unequal access to activities through which labor quality is "improved" (e.g., schooling and apprenticeship). Fourth, unemployment is always present in a capitalist system, and its incidence falls heaviest on the groups already at the bottom of the income ladder.11

This situation poses a threat to capitalism.  

While we argue that power is dominated by the capitalist class, that is not to say that it monopolizes power or that its rule is unrestricted. Furthermore, capitalists need not monopolize decision-making positions nor must they operate according to an articulated schema in order to be dominant. The existence of an ideology which favors capitalist interests and a sufficiently pervasive common set of objective self-interests among capitalists serves to assure that decisions will be in their favor. It is in this sense that we can identify the capitalist class as a ruling class. The dichotomous division of society into workers and capitalists obviously involves a simplification. Other groups (e.g., highly paid professionals, land-owning farmers, etc.) exist who cannot readily be identified directly with either class. However, we use the term "worker" broadly to identify all who sell their labor power on a market and therefore the class categories extend to most of the population. Furthermore, our preceding analysis of capitalist institutions and our analysis below of the exercise of power lead us to the conclusion that these are the most important groups to study for understanding social change. On the American ruling class, see [54, Chap. 9] [45] [16]; on the nature of classes, see [57] [8] [4].

Those affected have no stake in maintaining the system and become unruly. The preservation of capitalism requires that the misery of poverty be alleviated, or at least that something be done about its appearance. Yet an attack on the basic causes of the problem, the functioning of the basic economic institutions, is ruled out. For example, an adequate welfare program would interfere with work incentives; it would conflict with the principle that income is a payment for productive factors. Therefore, political power is focused on the secondary factors and symptoms, but the basic processes remain unaffected. Old age pension programs are established; equal opportunity employment regulations are legislated; manpower training programs are set up; unemployment compensation schemes are developed. Even if such programs were successful on their own terms, they could eliminate only the most severe aspects of inequality and poverty. In fact, most of these programs fail to achieve their own modest objectives.

Opposition to system-preserving welfare programs derives not only from their conflict with the institutions. Often, interest groups within the capitalist class or powerful professional groups are hurt by welfare legislation. Thus, the A.M.A. battles against medical care; housing developers oppose public housing programs and city planning; the automobile companies work to keep public transit facilities inadequate; textile employers subvert equal employment opportunity legislation. These are cases where class interests and self-interest seem to conflict. While the ruling class as a whole would benefit by establishing an ameliorative program and thereby securing its position, some of its members would be hurt. Thus because ruling class solidarity (see below) is at least as important for the preservation of that system as is preventing disruption by the poor, inadequate welfare programs are the outcome.

Welfare programs are but one example of ruling-class functioning—taking action, compromising within itself, absorbing discontent—carried out through the state. Other revealing examples are public education, tariff policies, financing of research programs, agriculture and transportation subsidies, and the structure of taxation. We believe that these operations of the state are best understood if the state is viewed as basically operating in the interests of the capitalist class.12

10 While we argue that power is dominated by the capitalist class, that is not to say that it monopolizes power or that its rule is unrestricted. Furthermore, capitalists need not monopolize decision-making positions nor must they operate according to an articulated schema in order to be dominant. The existence of an ideology which favors capitalist interests and a sufficiently pervasive common set of objective self-interests among capitalists serves to assure that decisions will be in their favor. It is in this sense that we can identify the capitalist class as a ruling class. The dichotomous division of society into workers and capitalists obviously involves a simplification. Other groups (e.g., highly paid professionals, land-owning farmers, etc.) exist who cannot readily be identified directly with either class. However, we use the term "worker" broadly to identify all who sell their labor power on a market and therefore the class categories extend to most of the population. Furthermore, our preceding analysis of capitalist institutions and our analysis below of the exercise of power lead us to the conclusion that these are the most important groups to study for understanding social change. On the American ruling class, see [54, Chap. 9] [45] [16]; on the nature of classes, see [57] [8] [4].

11 Miller [44] provides a good description of these secondary forces. For a left critique of Miller, see [30].

12 Sweezy [55, Chap. 13] provides a good statement of this view of the state. The classic argument is provided by Lenin [33, especially Part I] [34].
The Priorities of the State. If, as according to our hypothesis, the state is dominated by the capitalist class, then the operations of the state should reflect the needs of the capitalist class. In modern capitalist states, when the basic institutions have been thoroughly established, the maintenance and preservation of these institutions upon which the structure of class and privilege depends is of the greatest importance to the capitalist class. The uninhibited operation of the economic institutions will continue to bestow power, wealth, and prestige upon the capitalists. They do not need the state to enhance their position, only to assure it.

The system-preserving function of the state is evident in several areas. A continued threat to capitalism has been the failure of the economy autonomously to generate adequate aggregate demand. This failure has brought recurring crises with substantial unemployment. In spite of once seemingly inviolable ideological objections to the contrary, the state has assumed the function of demand regulator. Such regulation does not eliminate unemployment, but simply reduces it to levels which are not system threatening.

A second system-preserving function of the state has been its decisive role in obfuscation and suppression of class conflict. This is accomplished through suppressing system-threatening groups (e.g., the Wobblies, Black Panthers), by deflecting their demands for structural changes into acceptable material demands (e.g., labor union economism, black capitalism), or through ameliorative programs. If we may modify the jargon of public finance, state actions such as suppression or amelioration may be viewed as "class goods." When the challenge posed by workers becomes severe, no single capitalist can protect himself. Were he to give concessions to his workers, his competitive position would be endangered. To employ private armies has been possible but highly inefficient. Thus, action by the capitalists as a class is necessary.

The enormous military establishment provides another example of system-preserving state operations; as such, it performs a dual function. First, it provides the rationale for huge expenditures which serve to maintain aggregate demand without threatening the security or position of any group in the ruling class. For example, social welfare measures often do threaten such groups. Second, as the capitalist system becomes increasingly an international system, the military directly protects the far-flung parts of that system.

The response of the state to changes in the process of production which require more highly developed labor, illustrates a second priority of the state; namely, the creation of new institutions. The rise of mass education in the United States has occurred in response to the need by industry for a skilled work force. Because workers are not tied to particular employment, individual capitalists cannot invest in the general training of workers and expect to appropriate the returns. Thus, capitalists turn to the state to provide a skilled work force. When education is handled by the state and portrayed as social welfare, it is paid for by general tax revenue rather than by the capitalists themselves [35, Chap. 3 [51 [43 [9] [60].

The structure of the educational system betrays its class-oriented genesis. Mass education in the United States covers a vast quality range, and a positive association has been established between parents' incomes or class and the quality of public education which children receive. If, as seems reasonable, the benefits of education are correlated with the quality of that education, then the class bias of U.S. education is obvious. Thus the educational system operates to reinforce the class bias of the core economic institutions.

There is a further aspect of the educational function which reveals its class bias; namely, its role in transmitting ideology. Students are taught a view of society which justifies the status quo and which poses efforts for change as unnecessary or futile.

The primacy of the roles of the state in preserv- ing the system and in developing new institutions to meet changing circumstances should not obscure the fact that the state also intervenes di-

\[ \frac{\text{var } Y}{\text{var } K} = \frac{\text{cov } (K, L)}{\text{var } K} + \frac{\text{cov } (K, L)}{\text{var } L} + \frac{2 \text{ cov } (K, L)}{r} \]

On the plausible assumption that most of the inequalities in labor earnings are due to inequalities in skills, education, and the general socialization process, we see that inequalities in schooling may contribute to income inequality, even where school inequalities are not associated with inequalities in capital ownership. However, note that the last term on the right-hand side of the above expression represents the contribution to total income inequality of the degree to which inequalities in capital earnings are associated with inequalities in labor earnings. Given the social class inequalities of our educational system, we expect the covariance term to be positive.
irectly in the economy to benefit immediate interests of capitalists. The most significant realm—in quantitative terms—where the state intervenes is in military and space spending, which we discussed above.16

Another example of direct intervention, one which illustrates the case particularly well, is the government's relation to the agricultural sector. The general picture of what has happened in agriculture is well known. Wages in agriculture have remained low and unemployment high. Subsistence farmers have been unable to survive. The rural poor have been forced into the urban ghettos, supplying the low-cost labor force for industrial expansion. All the while, large farmers have received subsidies, price supports, and protection [1].

Furthermore, the very process which creates the agricultural problem is exacerbated by government programs. Government expenditure on agricultural research and extension has played a significant role in raising agricultural productivity at a more rapid rate than general productivity and has thereby contributed to the mass-dislocation of rural workers and subsistence farmers. Those statistical studies which are available confirm casual empiricism: the overall impact of the government in its agricultural programs has been to increase inequality within the agricultural sector [7] [10].

The point is, however, not only that the process has worked toward increasing inequality but that it is the large owners of property—of the agricultural means of production—who benefit. Their benefit is derived directly from the programs which have been developed for "helping agriculture." Payment for unused land is of no help to subsistence farmers. Price supports for marketable surplus is of no help to subsistence farmers. Government subsidies for capital-augmenting technical change have the same class bias.

Military spending, agricultural subsidies, and other such programs provide ample ammunition for the muckraker. However, in terms of their importance in the overall operations of the state, we believe they are not of highest priority. Their position is behind the system-preserving and secondary-institutions-creating roles of the state. Nonetheless, when studied as a group, these actions of the state which directly enhance the privilege of the capitalist class reveal the basic character of the state in a capitalist society and provide a useful starting point for the analysis of power.18

16 It would be consistent with this theory if the state were to take some actions which, in terms of their direct impact, increased income equality, provided these actions could be interpreted as serving the stability of the system. Lenin [33] analyzes the ten-hour day legislation in these terms.

Cohesion of the Ruling Class. The term “ruling class” may evoke the image of a small, conspiratorial group which coldly calculates the oppression of the poor and its own gain. The actual functioning of the capitalist ruling class in the United States cannot, however, be well understood in such terms.

A class operates as a class in a number of ways. First, the class can be conscious of itself as a group with common objective interests, and can function cohesively on the basis of that consciousness. Second, the class can hold in common a value system or ideology which justifies the class’s position and serves as a guide to action. Third, the class can coalesce on specific issues which serve the interests of some of its members if the favor is returned when the special interests of other members are at issue.

In general, it is difficult to distinguish which of these three mechanisms is at work at any given time. In the case of the United States, all three mechanisms operate. For example, elite schools, class-segregated neighborhoods, and social clubs tend to instill in ruling class members a sense of identity and of their separateness from the rest of society. Thus, they become aware of their special stake in the status quo social relations and consciously work for the stability of the system. Obviously, if aware of their own position and if working toward a common goal, the members of the ruling class need not “conspire” to assure behavior in their common interest.

On the other hand, the very strong capitalist ideology in the United States tends to make class consciousness per se less important. A set of values that justify the position of the capitalist class, the basic institutions of capitalism, and the status quo in general provides a guide to action. Indeed, the prevalence of the capitalist ideology not only assures common action by members of the capitalist class but means that others will cooperate to serve capitalist interests above their own. This is the case, for example, when white workers accept racism and reject a working-class consciousness.

On many issues, logrolling furthers the class interest. This occurs when each group within the capitalist class structures its own policies so that they do not come into conflict with other groups within the class, expecting (and receiving) such cooperation in return.

18 For a documentation of the subsidies provided to military contractors, see [59] and Joint Economic Committee (1969).
These mechanisms which tie a class together should not be confused with the objective identity of the class itself. The capitalist class in the United States is a ruling class. The degree to which it has consciousness, a strong ideology, and internal cooperation determines how successfully it can rule.  

IV. On Teaching and Practice

So far we have limited our discussion to the content of a radical course. Radical substance, however, is only part of a radical approach to economics. First, college and university teachers work in one of the centers of radical social activity in the United States. Radical teachers should, therefore, view their own work as part of a wider radical movement. They should design their courses to be relevant to the concerns and needs of that movement. Furthermore, radical economists cannot be isolated as academics. Only by taking part in the activities of the radical movement can they integrate their scholarly work with the concerns of the movement.

Second, teaching style is also relevant to the radical approach. In Section II we suggested the argument that one of the functions of the educational system in the United States is to prepare students for the authoritarian and repressive conditions of the work place. Obviously radicals cannot allow themselves to be part of such a socializing process. It is necessary for our own liberation as well as for the students' welfare to break down authoritarian relations in the classroom. The function of lectures, for example, in which one person talks at a mass of students, is, in general, antithetical to radical teaching. Likewise, radical teachers should challenge the grading system and the role which grades play in providing an external incentive analogous to and preparatory for the wage system (see Appendix).

In other words, teaching with a radical approach to economics is not simply a matter of putting forth a certain interpretation of United States capitalism. A radical approach carries with it certain lessons for change—lessons which must be followed in our teaching of economics.

APPENDIX

Statement on Grading by the Staff of Social Sciences 125 to the Committee on Educational Policy*

Grades serve a number of functions: they establish a system of incentives for students, they structure the nature of social relations in the educational process, and they provide needed information within and outside the university. We argue that the incentive function of grades and their effect on classroom relations are inimical to learning. Furthermore, we believe that the informational role of grades could be served through alternative mechanisms which would promote rather than hinder learning.

Incentives. Learning should take place for desirable social ends and for the intrinsic enjoyment of learning. The grading process establishes an undesirable reward structure in which obtaining a high grade becomes the motivational force. The indirect reward of a good grade replaces the direct satisfaction from the process of learning or the resulting knowledge as the final objective of many students. Such an incentive structure is undesirable in and of itself.

However, the role of grades in educational institutions cannot be fully understood as long as attention is confined to the universities alone. Grades function to socialize students into the work force. On a job, workers do not obtain satisfaction from an intrinsic interest either in the process of production or in the resulting product of their work. Nor do they obtain satisfaction from the social usefulness of the product. Instead, they are motivated by the prospect of an external reward—wages received in exchange for labor powers. In the workplace, the need to substitute external incentives for intrinsic interest arises because of the separation of

* The petition which follows was submitted to the Committee on Educational Policy of Harvard University by the Staff of Social Sciences 125 during the first term in which the course was offered. The petition was rejected.
the workers from control over the production process and its products. Grades play an important role in preparing young people for this kind of work environment. We object to both an economic system and an educational system which operate in this manner.

The content of the knowledge acquired by a student is also affected by grades. Those aspects of any subject matter which can most easily be reduced to a single onedimensional measure increase in importance—such as, for example, factual and quantifiable data. In the choice of paper topics, preference is given to small questions which can be easily researched and for which a complete answer can be developed in the limited time available. In order to assure a short-run payoff, the student tends to minimize risk by restricting his field of inquiry. As a result, the larger framework and context of his studies is taken for granted. Thus grades play a significant role in the perpetuation of the status quo in social inquiry. To this we object.

*Structure of Classroom Social Relations.* The power to give grades provides professors with a sanction for the exercise of authority in the educational process. Grades promote acquiescence and conformity among students and exempt teachers from the necessity of being relevant, interesting, and well prepared in their classes. Students refrain from criticizing mediocrity and dullness in part because of the fear of jeopardizing their grades and in part because the process of grading has diverted attention away from learning itself. (We do not raise here the possibility that grades inspire political conformity between students and professors.) In general, the authoritarian relationship between teachers and students in the classroom is inimical to learning, and for this reason too we oppose grades.

*Information.* The principal external consumers of the information contained in grades are employers and graduate schools, who need to identify the students they most prefer and the ones they least prefer. Grades provide employers and graduate schools with a costless means of ranking students for their own purposes. But education should not be made subservient to their needs, particularly since grades interfere with the learning process. Graduate schools and employers could devise their own mechanisms of evaluation and selection if students were not graded, as already happens with students from a number of colleges, such as Antioch, which do not grade.

Grades are also used to fill informational needs within the university. Students use grades to obtain feedback from their instructors on performance in class. Faculty members use grades from previous courses as guidelines for admitting students to their own courses. The administration uses grades in allocating financial aid. Although we object to this last use of grades, we do feel that information on student performance can be useful both to the student and to the teacher in the educational process. The use of a summary letter grade is simply not the best means for fulfilling such informational needs.

For all these reasons, we find the grading process abhorrent, and we intend to substitute other mechanisms to perform those functions of grades that we feel should be retained. In our course we will prepare written evaluations of each student's work. The evaluation will be available to the student and to others if the student so requests. Further, we plan to arrange individual meetings between student and instructor during the semester. Finally, the organization of the course into small sections automatically provides continuous feedback to the students.

Therefore, we petition the Committee on Educational Policy to remove the grading requirement from our course. Further, we ask for a public hearing with the C.E.P. concerning both our petition and the general role of grades at Harvard. We would like to raise at that point the arguments for the complete elimination of grades from the Harvard educational process.

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