

# The Contributions of the *Monthly Review* School

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# My final professional goal



**Neoclassical  
economics**

# Neoclassical Economics is not the only problem

- Abstract formalization of competitive economy
- Capitalism as the problem?
  - Not competitive
  - Must grow (or accumulate capital)
  - Produces inequality
  - Systematically degrades nature upon which it depends



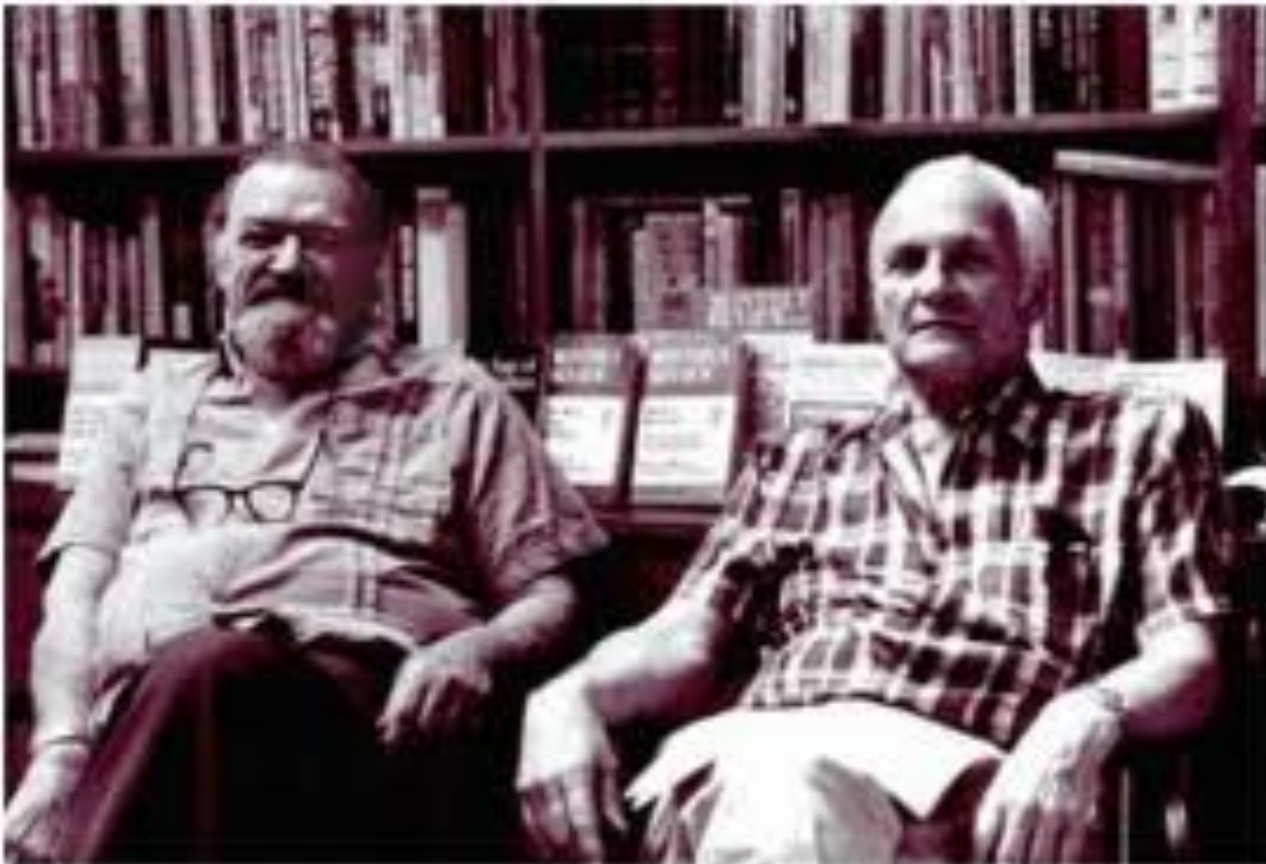
# Internal and External Limits

- Long before Revelle and Keeling measured CO<sub>2</sub> at Mauna Loa
- Long before atmospheric carbon reached the 350 ppm threshold
- Long before Hubbert's 1956 paper
- Long before the 1970 US peak
- Long before *The Limits to Growth*
- Capitalism experienced a series of devastating economic crises due to internal limits (1873, 1894, 1921, 1929)
- We need to understand the interaction between internal limits and biophysical limits

# Baran and Sweezy



# The Editors: Magdoff & Sweezy

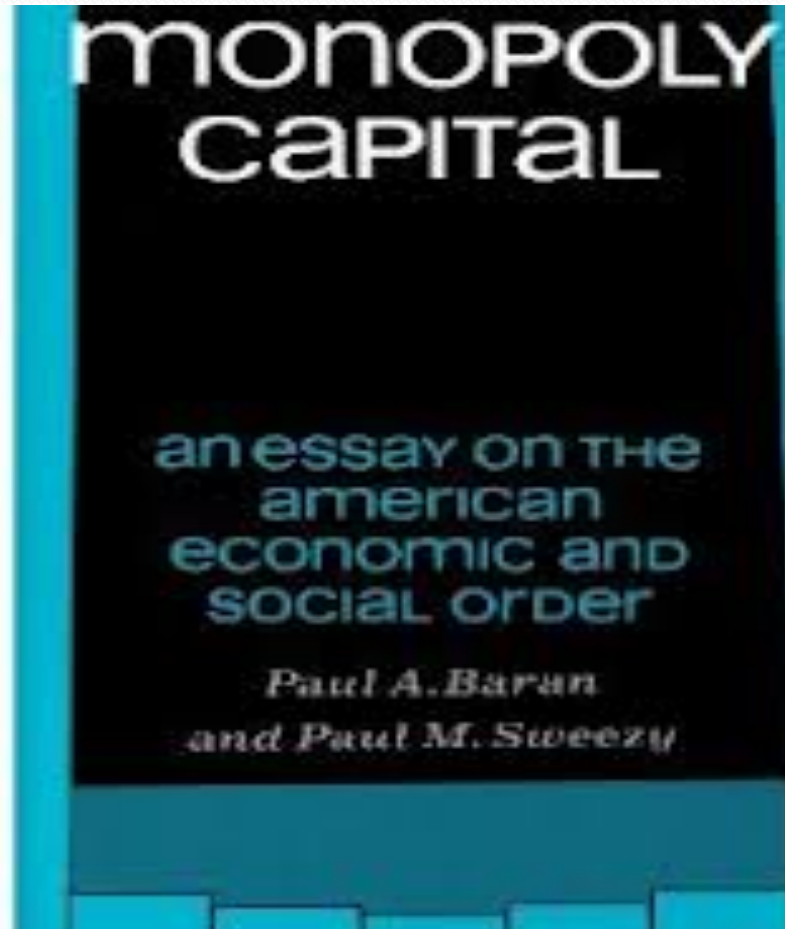


# *Monthly Review*

## Volume I, Number 1: 1949



# *Monopoly Capital: 1966*





# Major Premises of *Monopoly Capital*

- The United States is characterized by the Giant Corporation, not the competitive firms
- Concentrated Industries *DO NOT* compete on the basis of price
- Co-respective behavior (Schumpeter)
- Competition to reduce cost and expand market share
- History of Merger Movements
  - Industrials
  - Energy
  - Finance
  - Chapter 6 of *Energy and the Wealth of Nations*

# *Monopoly Capital* Premises

- The tendency of the economic surplus to rise replaces the tendency of the rate of profit to fall (Marx)
- The natural tendency of a monopolized economy is towards stagnation
- Inability to absorb the economic surplus
  - Consumption and the sales effort
  - The dual nature of investment (Domar)
  - Civilian government
  - Waste (so different from neoclassical notion that capitalism is based on efficiency)

# Why Prosperity?

- Epoch-making innovations
- (from Hansen and Schumpeter)
  - The steam engine
  - The railroad
  - The automobile
  - Cheap and abundant fossil fuels drive prosperity
- War and its aftermath
  - War is good business
  - Changed social order

# The Post WWII US Record

- Decade                      %Growth Rate

- 1960s                              4.4

- 1970s                              3.3

- 1980s                              3.1

- 1990s                              3.2

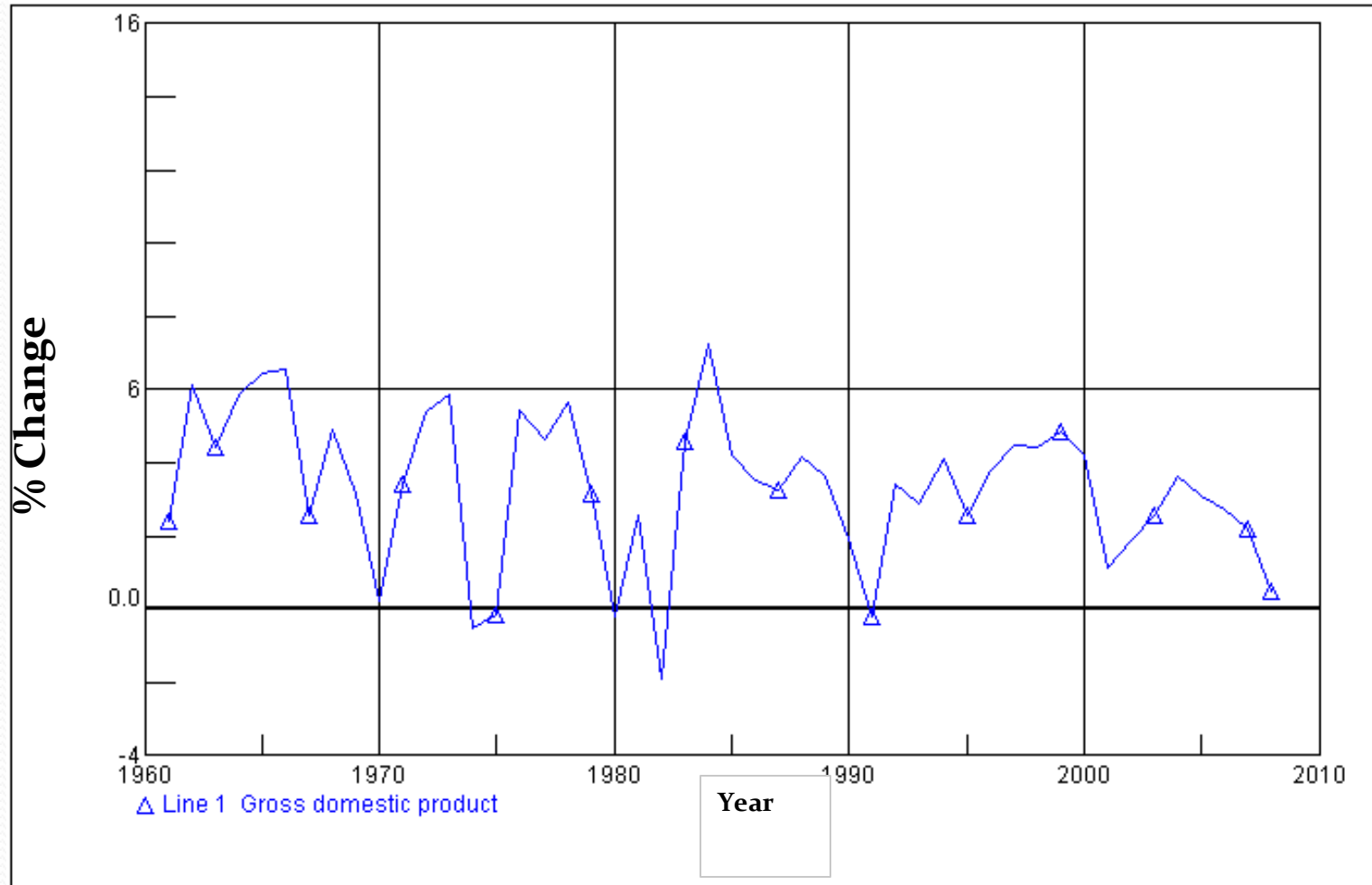
- 2000s                              2.6

- 2005 Constant Dollars

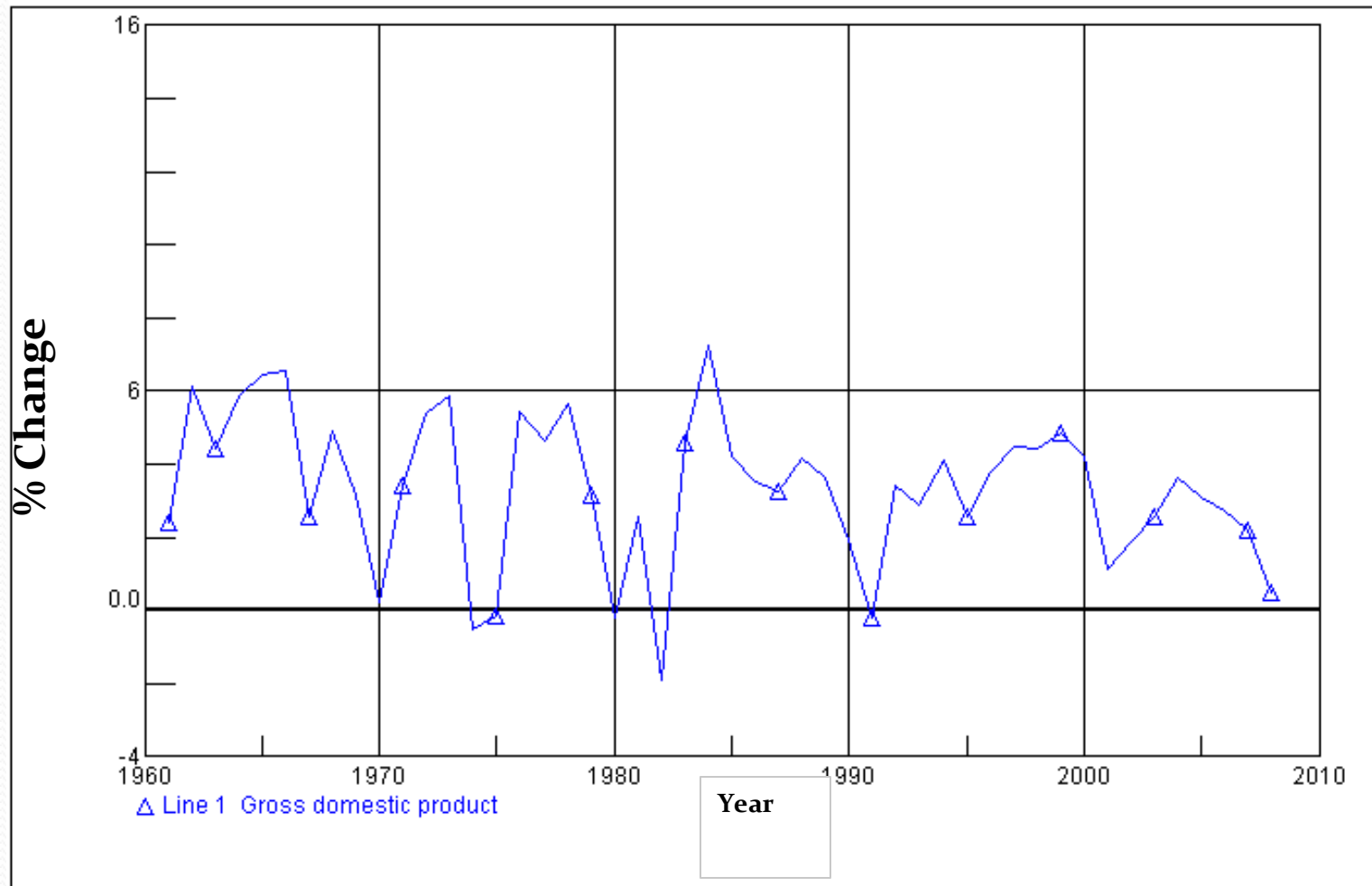
- Source: National Income and Product Accounts



# Do You See Growth?



# Do You See Growth?



# What *Monopoly Capital* Omitted

- The Labor Process
- From the preface of *Monopoly Capital*
  - “And we are particularly conscious of the fact that this approach, as we have used it, has resulted in almost total neglect of a subject which occupies a central place in Marx’s study of capitalism: the labor process.”

# *Labor and Monopoly Capital*

- Harry Braverman (1974)'
- The quest to reduce cost entails the formalization of a process done sporadically in competitive capitalism
- Control over the details of the labor process: or the transformation of the products of nature into commodities by means of human labor and machinery
- The unity of head heart and hand makes us fully human
- Management appropriation and control over the details of work degrades human beings



# Braverman (continued)

- Critique of scientific management
- Extension of rationalization of labor process in manufacturing to clerical work and services by the 1970s

# Thoughts on Productivity

- Productivity increases generally approved of without critical reflection
- Depend historically upon cheap oil (Cleveland et al.)
- Basis of rising economic surplus
- Basis of consumerism
  - Productivity increases without increases in output result in rising unemployment and excess capacity
- Cause of degradation of work
- Can a sustainable society be based on ever-increasing productivity?
- Fab-lab's vs. "world made by hand"

# 1980s: Financialization

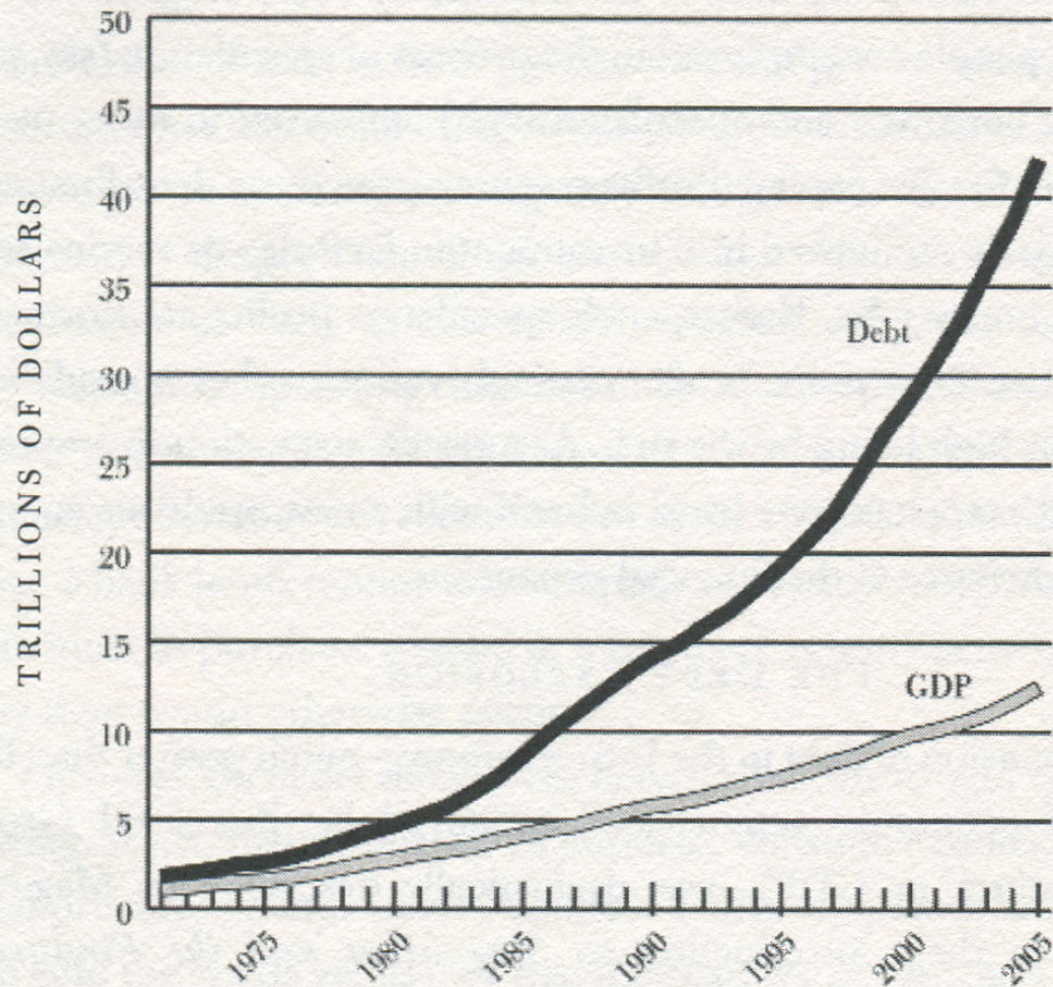
- “The Casino Economy” *Business Week*
- The financial explosion results from the underlying stagnation of the real economy
- From M-C-M’ to M-M’
- The eventual ineffectiveness of monetary and fiscal policy
- Cost-push inflation of the 1970s and 1980s
- Soaring supply-side deficits
  - Tax cuts and increases in military spending
- Today’s fiscal cliff

# A Prescient Quote

- But, you may ask, won't the powers that be step into the breach again and abort the crisis before it gets a chance to run its course? Yes, certainly. That, by now is standard operating procedure, and it cannot be excluded that it will succeed in the same ambiguous sense that it did after the 1987 stock market crash. If so, we will have the whole process to go through again on a more elevated and precarious level. But sooner or later, next time or further down the road, it will not succeed.
- Harry Magdoff and Paul Sweezy (1988)



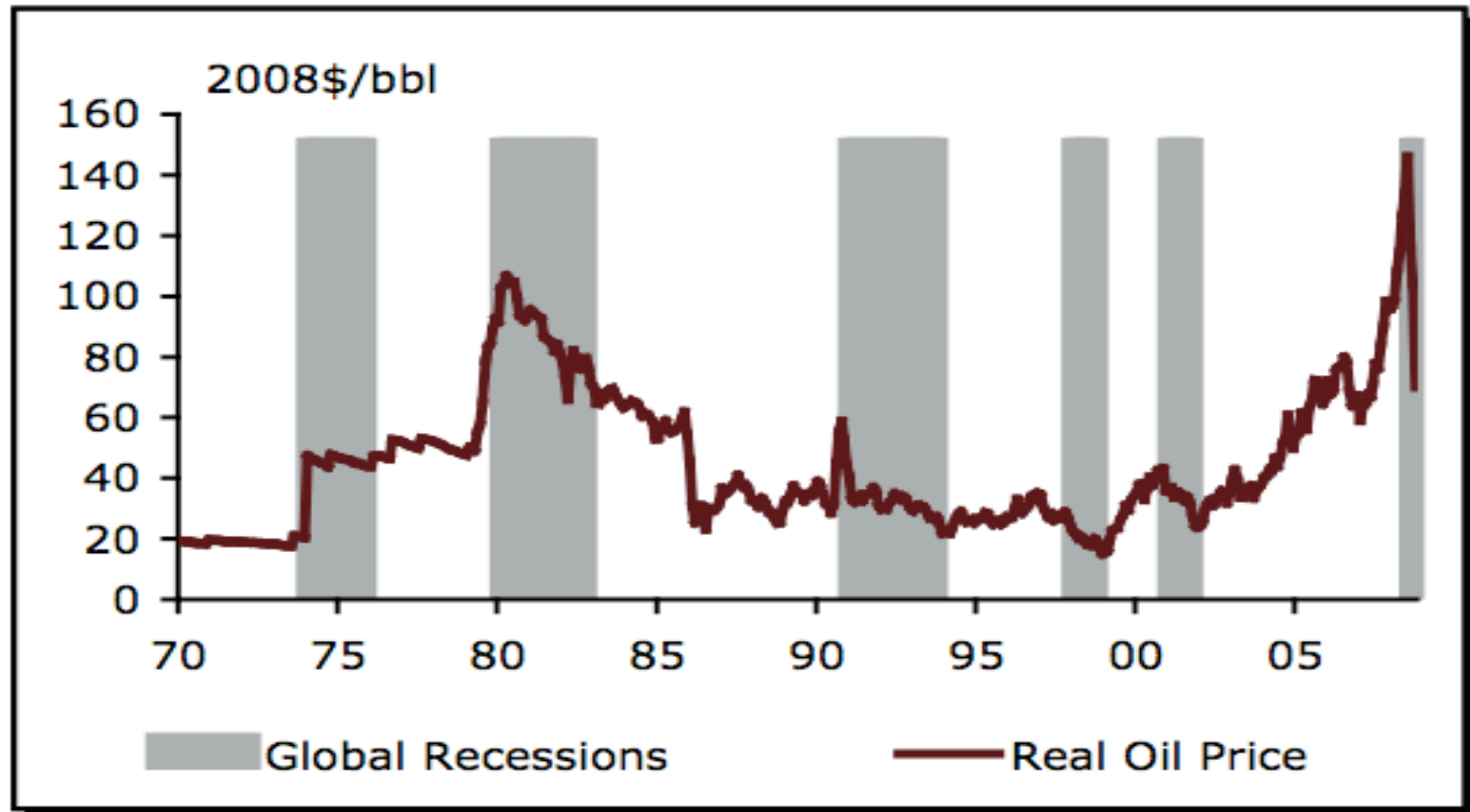
CHART 2.1: *GDP and Total Debt*



Source: Calculated from Federal Reserve, Flow of Funds Accounts of the United States, Tables L. 1 and L. 2; *Economic Report of the President*, 2006, Table B-78.

# Oil and the Economy

## Past Recessions and Oil Spikes



# *Monthly Review Today*

- A greater environmental focus:
- John Bellamy Foster as editor
- Theory of the Metabolic Rift
- Continued focus upon financialization
- Greater focus on inequality
- Work on changing nature of monopoly in the globalized economy

# Questions facing Biophysical Economics

- How to assess the economy as a reality rather than as a textbook abstraction?
- How to achieve economic sustainability while providing (meaningful) work?
- How to replace consumption as a source of happiness?
- MR Contributions
- A monopolized economy is a stagnant economy
- Capitalism produces inequality and crisis
- Capitalism must accumulate, but can't
- Capitalism systematically degrades nature in the name of growth and profit