# The ABCs of Political Economy

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## A Modern Approach

Revised and Expanded Edition

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# *Economics and Liberating Theory*

Unlike mainstream economists, political economists have always tried to situate the study of economics within the broader project of understanding how society functions. However, dissatisfaction with the traditional political economy theory of social change known as *historical materialism* has increased to the point where many modern political economists and social activists no longer espouse it, and most who still call themselves historical materialists have modified their theory considerably to accommodate insights about the importance of gender relations, race relations, and the "human factor" in understanding social stability and social change. The *liberating theory* presented in this chapter attempts to transcend historical materialism without throwing out the baby with the bath water. It incorporates insights from feminism, anti-colonial and anti-racist movements, and anarchism, as well as from mainstream psychology, sociology, and evolutionary biology where useful. Liberating theory attempts to understand the relationship between economic, political, kinship and cultural activities, and the forces behind social stability and social change, in a way that neither over nor underestimates the importance of economic dynamics, and neither over nor underestimates the importance of human agency compared to social forces. Whether the theory of people and society that follows accomplishes all this while avoiding unwarranted assumptions and unnecessary idiosyncrasies is for you, the reader, to judge.[1]

## *People and Society*

People usually define and fulfill their needs and desires in cooperation with others – which makes us a *social species*. Because each of us assesses our options and

1 The original formulation can be found in *Liberating Theory* (South End Press, 1986) by Michael Albert, Leslie Cagan, Noam Chomsky, Robin Hahnel, Mel King, Lydia Sargent, and Holly Sklar.

chooses from among them on the basis of our evaluation of their consequences we are also a *self-conscious species*. Finally, in seeking to meet the needs we identify today, we choose to act in ways that sometimes change our human characteristics, and thereby change our needs and preferences tomorrow. In this sense people are *self-creative*.

Throughout history people have created *social institutions* to help meet their most urgent needs and desires. To satisfy our economic needs we have tried a variety of arrangements – feudalism, capitalism, and centrally planned "socialism" to name a few – that assign duties and rewards among economic participants in different ways. But we have also created different kinds of kinship relations through which people seek to satisfy sexual needs and accomplish child rearing and educational goals, as well as different religious, community, and political organizations and institutions for meeting cultural needs and achieving political goals. Of course the particular social arrangements in different *spheres of social life*, and the relations among them, vary from society to society. But what is common to all human societies is the elaboration of social relationships for the joint identification and pursuit of individual need fulfillment.

To develop a theory that expresses this view of humans – as a self-conscious, self-creative, social species – and this view of society – as a web of interconnected spheres of social life – we first concentrate on concepts helpful for thinking about people, or the *human center*, and next on concepts that help us understand social institutions, or the *institutional boundary* within which individuals function. After which we move on to explore the relationship between the human center and institutional boundary, and the possible relations between *four spheres of social life*.

## *The Human Center*

### *Natural, Species, and Derived Needs and Potentials*

All people, simply by virtue of being modern humans, have certain needs, capacities, and powers. Some of these, like the needs for food and sex, or the capacities to eat and copulate, we share with other living creatures. These are our *natural needs and potentials*. Others, however, such as the needs for knowledge, creative activity, and love, and the powers to conceptualize, plan ahead, evaluate alternatives, and experience complex emotions, are more distinctly human. These are our *species needs and potentials*. Finally, most of our needs and powers, like the desire for a particular singer's recordings, or the need to share feelings with a particular loved one, or the

ability to play a guitar or repair a roof, we develop over the course of our lives. These are our *derived needs and potentials.*

In short, every person has natural attributes similar to those of other animals, and species characteristics shared only with other modern humans – both of which can be thought of as genetically "wired-in." Based on these genetic potentials people develop more specific derived needs and capacities as a result of their particular life experiences. While our natural and species needs and powers are the results of past human evolution and are not subject to modification by individual or social activity, our derived needs and powers are subject to modification by individual activity and are very dependent on social environment – as explained below. Since a few species needs and powers are especially critical to understanding how humans and human societies work, I discuss them before explaining how derived needs and powers develop.

*Human Consciousness*

Human beings have intellectual tools that permit them to understand and situate themselves in their surroundings. This is not to say that everyone accurately understands the world and her position in it. No doubt, most of us deceive ourselves greatly much of the time! But an incessant striving to develop some interpretation of our relationship with our surroundings is a characteristic of normally functioning human beings. We commonly call the need and ability to do this *consciousness*, a trait that makes human systems much more complicated than non-human systems. It is consciousness that allows humans to be self-creative – to select our activities in light of their preconceived effects on our surroundings and ourselves. One effect our activities have is to fulfill our present needs and desires, more or less fully, which we can call *fulfillment effects.* But another consequence of our activities is to reinforce or transform our derived characteristics, and thereby the needs and capacities that depend on them. Our ability to analyze, evaluate, and take what we can call the human *development effects* of our choices into account is why humans are the "subjects" as well as the "objects" of our histories.

The human capacity to act purposefully implies the need to exercise that capacity. Not only can we analyze and evaluate the effects of our actions, we need to exercise choice over alternatives, and we therefore need to be in positions to do so. While some call this the "need for freedom," it bears pointing out that the human "need for freedom" goes beyond that of many animal species. There are animals that cannot be domesticated or will not reproduce in captivity, thereby exhibiting an innate "need for freedom." But the human need to employ our powers of consciousness

requires freedom beyond the "physical freedom" some animal species require as well. People require freedom to choose and direct their own activities in accord with their understanding and evaluation of the effects of that activity. In Chapter 2 I will define the concept "self-management" to express this peculiarly human species need in a way that subsumes the better known concept "individual freedom" as a special case.

*Human Sociability*

Human beings are a social species in a number of important ways. First, the vast majority of our needs and potentials can only be satisfied and developed in conjunction with others. Needs for sexual and emotional gratification can only be pursued in relations with others. Intellectual and communicative potentials can only be developed in relations with others. Needs for camaraderie, community, and social esteem can only be satisfied in relation with others.

Second, needs and potentials that might, conceivably, be pursued independently, seldom are. For example, people could try to satisfy their economic needs self-sufficiently, but we seldom have done so since establishing social relationships that define and mediate divisions of duties and rewards has always proved so much more efficient. And the same holds true for spiritual, cultural, and most other needs. Even when desires might be pursued individually, people have generally found it more fruitful to pursue them jointly.

Third, human consciousness contributes a special character to our sociability. There are other animal species which are social in the sense that many of their needs can only be satisfied with others. But humans have the ability to understand and plan their activity, and since we recognize this ability in others we logically hold them accountable for their choices, and expect them to do likewise. Peter Marin expressed this aspect of the human condition eloquently in an essay titled "The Human Harvest" published in *Mother Jones* (December, 1976: 38).

> Kant called the realm of connection the kingdom of ends. Erich Gutkind's name for it was the absolute collective. My own term for the same thing is the human harvest – by which I mean the webs of connection in which all human goods are clearly the results of a collective labor that morally binds us irrevocably to distant others. Even the words we use, the gestures we make, and the ideas we have, come to us already worn smooth by the labor of others, and they confer upon us an immense debt we do not fully acknowledge.

Bertell Ollman explains it is the individualistic, not the social interpretation of human beings that is unrealistic when examined closely (*Alienation*, Cambridge University Press, 1973: 108):

> The individual cannot escape his dependence on society even when he acts on his own. A scientist who spends his lifetime in a laboratory may delude himself that he is a modern version of Robinson Crusoe, but the material of his activity and the apparatus and skills with which he operates are social products. They are inerasable signs of the cooperation which binds men together. The very language in which a scientist thinks has been learned in a particular society. Social context also determines the career and other life goals that an individual adopts. No one becomes a scientist or even wants to become one in a society which does not have any. In short, man's consciousness of himself and of his relations with others and with nature is that of a social being, since the manner in which he conceives of anything is a function of his society.

In sum, there never was a Hobbesian "state of nature" where individuals roamed the wilds in a "natural" state of war with one another. Human beings have always lived in social units such as clans and tribes. The roots of our sociality – our "realm of connection" or "human harvest" – are both physical-emotional and mental-conceptual. The unique aspect of human sociality is that the "webs of connection" that inevitably connect all human beings are woven not just by a "resonance of the flesh" but by a shared consciousness and mutual accountability as well. Individual humans do not exist in isolation from their species community. It is not possible to fulfill our needs and employ our powers independently of others. And we have never lived except in active interrelation with one another. But the fact that human beings are inherently social does not mean that all institutions meet our social needs and develop our social capacities equally well. For example, in later chapters I will criticize markets for failing to adequately account for, express, and facilitate human sociality.

*Human Character Structures*

People are more than their constantly developing needs and powers. At any moment we have particular personality traits, skills, ideas, and attitudes. These *human characteristics* play a crucial mediating role. On the one hand they largely determine the activities we will select by defining the goals of these activities – our present needs, desires, or preferences. On the other hand, the characteristics themselves

are merely the cumulative imprint of our past activities on our innate potentials. What is important regarding human characteristics is to neither underestimate nor overestimate their permanence. Although I have emphasized that people derive needs, powers, and characteristics over their life time as the result of their activities, we are never completely free to do so at any point in time. Not only are people limited by the particular menu of role offerings of the social institutions that surround them, they are constrained at any moment by the personalities, skills, knowledge, and values they have accumulated as of that moment themselves. But even though character structures may persist over long periods of time, they are not totally invariant. Any change in the nature of our activities that persists long enough can lead to changes in our personalities, skills, ideas, and values, as well as changes in our derived needs and desires that depend on them.

A full theory of human development would have to explain how personalities, skills, ideas, and values form, why they usually persist but occasionally change, and what relationship exists between these semi-permanent structures and people's needs and capacities. No such psychological theory now exists, nor is visible on the horizon. But fortunately, a few "low level" insights are sufficient for our purposes.

*The Relation of Consciousness to Activity*

The fact that our knowledge and values influence our choice of activities is easy to understand. The manner in which our activities influence our consciousness and the importance of this relation is less apparent. A need that frequently arises from the fact that we see ourselves as choosing among alternatives is the need to interpret our choices in a positive light. If we saw our behavior as completely beyond our own control, there would be no need to justify it, even to ourselves. But to the extent that we see ourselves as choosing among options, it can be very uncomfortable if we are not able to "rationalize" our decisions. This is not to say that people always succeed in justifying their actions, even to themselves. Nor is all behavior equally easy to rationalize! Rather, the point is that striving to minimize what some psychologists call "cognitive dissonance" is a corollary of our power of consciousness. The tendency to minimize cognitive dissonance creates a subtle duality to the relationship between thought and action in which each influences the other, rather than a unidirectional causality. When we fulfill needs through particular activities we are induced to mold our thoughts to justify or rationalize both the logic and merit of those activities, thereby generating consciousness-personality structures that can have a permanence beyond that of the activities that formed them.

*The Possibility of Detrimental Character Structures*

An individual's ability to mold her needs and powers at any moment is constrained by her previously developed personality, skills, and consciousness. But these characteristics were not always "givens" that must be worked with; they are the products of previously chosen activities in combination with "given" genetic potentials. So why would anyone choose to engage in activities that result in characteristics detrimental to future need fulfillment? One possibility is that someone else, who does not hold our interests foremost, made the decision for us. Another obvious possibility is that we failed to recognize important developmental effects of current activities chosen primarily to fulfill pressing immediate needs. But imposed choices and personal mistakes are not the most interesting possibilities. At any moment we have a host of active needs and powers. Depending on our physical and social environment it may not always be possible to fulfill and develop them all simultaneously. In many situations it is only possible to meet current needs at the expense of generating habits of thinking and behaving that prove detrimental to achieving greater fulfillment later. This can explain why someone might make choices that develop detrimental character traits even if they are aware of the long run consequences.

In sum, people are self-creative within the limits defined by human nature, but this must be interpreted carefully. At any moment each individual is constrained by her previously developed human characteristics. Moreover, as individuals we are powerless to change the social roles defined by society's major institutions within which most of our activity must take place. So as individuals we are to some extent powerless to affect the kind of behavior that will mold our future character traits. Hence, these traits, and any desires that may depend on them, may remain beyond our reach, and our power of self-generation is effectively constrained by the social situations in which we find ourselves. But in the sense that these social situations are ultimately human creations, and to the extent that individuals have maneuverability within given social situations, the potential for self-creation is preserved. In other words, we humans are *both* the subjects *and* the objects of our history.

We therefore define the concept of the *Human Center* to incorporate these conclusions:

- The **Human Center** is the collection of people who live within a society including all their needs, powers, personalities, skills, and consciousness. This includes our natural and species needs and powers – the results of an evolutionary process that occurred for the most part long before known history began. It includes all the structural human characteristics that are givens as far as the individual

is concerned at any moment, but are, in fact, the accumulated imprint of her previous activity choices on innate potentials. And it includes our derived needs and powers, or preferences and capacities, which are determined by the interaction of our natural and species needs and powers with the human characteristics we have accumulated.

### *The Institutional Boundary*

People "create" themselves, but only in closely defined settings which place important limitations on their options. Besides the limitations of our genetic potential and the natural environment, the most important settings that structure people's self-creative efforts are social institutions which establish the patterns of expectation within which human activity must occur.

Social institutions are simply conglomerations of interrelated roles. If we consider a factory, the land it sits on is part of the natural environment. The buildings, assembly lines, raw materials, and products are part of the "built" environment. Ruth, Joe, and Sam, the people who work in or own the factory, are part of society's human center. However, the factory *as an institution* consists of the roles and the relationships between those roles: assembly line worker, maintenance worker, foreman, supervisor, plant manager, union steward, minority stockholder, majority stockholder, etc. Similarly, the market as an institution consists of the roles of buyers and sellers. It is neither the place where buying and selling occurs, nor the actual people who buy and sell. It is not even the actual behavior of buying and selling. Actual behavior belongs in the sphere of human activity, or history itself, and is not the same as the social institution that produces that history in interaction with the human center. Rather, the market *as an institution* is the commonly held *expectation* that the social activity of exchanging goods and services will take place through the activity of consensual buying and selling.

We must be careful to define roles and institutions apart from whether or not the expectations that establish them will continue to be fulfilled, because to think of roles and institutions as *fulfilled* expectations lends them a permanence they may not deserve. Obviously a social institution only lasts if the commonly held expectation about behavior patterns is confirmed by repeated actual behavior patterns. But if institutions are defined as fulfilled expectations about behavior patterns it becomes difficult to understand how institutions might change. We want to be very careful not to prejudge the stability of particular institutions, so we define institutions as commonly held expectations and leave the question of

whether or not these expectations will continue to be fulfilled – that is, whether or not any particular institution will persist or be transformed – an open question.

### *Why Must There Be Social Institutions?*

If we were all mind readers, or if we had infinite time to consult with one another, human societies might not require mediating institutions. But if there is to be a "division of labor," and if we are neither omniscient nor immortal, people must act on the basis of expectations about other people's behavior. If I make a pair of shoes in order to sell them to pay a dentist to fill my daughter's cavities, I am expecting others to play the role of shoe buyer, and dentists to render their services for a fee. I neither read the minds of the shoe buyers and dentist, nor take the time to arrange and confirm all these coordinated activities before proceeding to make the shoes. Instead I act on the basis of expectations about others' behavior.

So institutions are the necessary consequence of human sociability combined with our lack of omniscience and our mortality – which has important implications for the tendency among some anarchists to conceive of the goal of liberation as the abolition of all institutions. Anarchists correctly note that individuals are not completely "free" as long as institutional constraints exist. *Any* institutional boundary makes some individual choices easier and others harder, and therefore infringes on individual freedom to some extent. But abolishing social institutions is impossible for the human species. The relevant question about institutions, therefore, should not be whether we want them to exist, but whether any particular institution poses unnecessarily oppressive limitations, or instead promotes human development and fulfillment to the maximum extent possible.

In conclusion, if one insists on asking where, exactly, the *Institutional Boundary* is to be found, the answer is that, as commonly held expectations about individual behavior patterns, social institutions are a very practical and limited kind of mental phenomenon. As a matter of fact they are a kind of mental phenomenon that other social animals share – baboons, elephants, wolves, and a number of bird species have received much study. But just because our definition of roles and institutions locates them in people's minds, where we have also located consciousness, does not mean there is not an important distinction between the two. It is human consciousness that provides the potential for purposefully changing our institutions. As best we know, animals cannot change their institutions since they did not create them in the first place. Other animals receive their institutions as part of their genetic inheritance that comes already "wired in." We humans inherit only the necessity of creating

some social institutions due to our sociality and lack of omniscience. But the specific creations are, within the limits of our potentials, ours to design.[2]

- The **Institutional Boundary** is society's particular set of social institutions that are each a conglomeration of interconnected roles, or commonly held expectations about appropriate behavior patterns. We define these roles independently of whether or not the expectations they represent will continue to be fulfilled, and apart from whatever incentives do or do not exist for individuals to choose to behave in their accord. The Institutional Boundary is necessary in any human society since we are neither immortal nor omniscient, and is distinct from both human consciousness and activity. It is human consciousness that makes possible purposeful transformations of the Institutional Boundary through human activity.

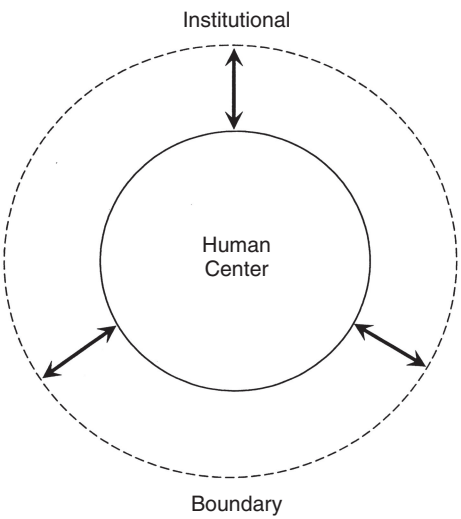


*Figure 1.1* Human Center and Institutional Boundary

2 Thorstein Veblen, father of institutionalist economics, and Talcott Parsons, a giant of modern sociology, both underestimated the potential for applying the human tool of consciousness to the task of analyzing and evaluating the effects of institutions with a mind to changing them for the better. This led Veblen to overstate his case against what he termed "teleological" theories of history, i.e., ones that held onto the possibility of social progress. The same failure rendered Parsonian sociology powerless to explain the process of social change.

## *Complementary Holism*

A social theory useful for pursuing human liberation must highlight the relationship between social institutions and human characteristics. But it is also important to distinguish between different areas, or spheres of social life, and consider the possible relationships between them. In *Liberating Theory* seven progressive authors called our treatment of these issues "complementary holism."

### *Four Spheres of Social Life*

The economy is not the only "sphere" of social activity. In addition to creating economic institutions to organize our efforts to meet material needs and desires, people have organized community institutions for addressing our cultural and spiritual needs, intricate "sex-gender," or "kinship" systems for satisfying our sexual needs and discharging our parental functions, and elaborate political systems for mediating social conflicts and enforcing social decisions. So in addition to the *economic sphere* of social life we have what we call a *community sphere*, a *kinship sphere*,[3] and a *political sphere* as well. In this book we will be primarily concerned with evaluating the performance of the economic sphere, but the possible relationships between the economy and other spheres of social life are worthy of some consideration.

A *monist* paradigm presumes that one of the spheres of social life is always dominant in every society. For example, historical materialism considers the economic sphere to be dominant – even if only in the "last instance" – whereas feminist theories often treat the kinship or reproductive sphere as the most important, while anarchists trace all authority back to the political sphere. In contrast, *complementary holism* does not believe that any pattern of dominance among the four spheres of social life can be deduced from theoretical principles alone, and therefore known *a priori* to be true for all societies. Instead, complementary holism insists that any pattern of dominance (or non-dominance) is possible in theory, and therefore which sphere(s) are more or less dominant in any particular society can only be determined by an empirical study of that society.

All four spheres are socially necessary. Any society that failed to produce and distribute the material means of life would cease to exist. Many Marxists argue that this implies that the economic sphere, or what they call the economic "base"

3 Anthropologists often study what they refer to as "kinship systems." However, feminists more often use the phrase "reproductive sphere." In either case, this is the "sphere of social life" primarily concerned with the procreation and education of the next generation to become adult members of society.