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Power and the Useful Economist

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The ceremonial address of the President of the American Economic Association is an art form which, I imagine like most of my predecessors, I have thoughtfully reviewed. On occasion, in the past, the addresses have dealt with some substantive problem of our subject or some afflicting problem of the economy. More often they have dealt, always a shade critically, with the methodology of economics. While accepting the larger science there has been adverse comment on the detailed elements of its practice. Economics is insufficiently normative. Model building has become an end, not a means. For several recent years in succession the criticism—which involved a certain element of personal introspection—included an exceptionally grave attack on mathematical economics. The style of these addresses, I might note in passing, is as distinctive as the subject matter. It features the thoughtful solemnity of men who sense that we are speaking for the ages. It may be worth a moment's time, on these great occasions, to recall that ours is a subject which features defeated expectations.

I am moved this evening to depart from the established rites. I should like to concern myself with basic questions of assumption and structure. If this breaks with tradition, it does not break with present professional tendency. We meet at a time when criticism is general—when the larger body of established theory is under extensive attack. Within the last half-dozen years what before was simply called economics in the nonsocialist world has come to be designated neoclassical economics with appropriate overtures to the Keynesian and post-Keynesian development. From being a general and accepted theory of economic behavior this has become a special and debatable interpretation of such behavior. For a new and notably articulate generation of economists a reference to neoclassical economics has become markedly pejorative.

I would judge as well as hope that the present attack will prove decisive. The established theory has reserves of strength. It sustains much minor refinement which does not raise the question of overall validity or usefulness. It survives strongly in the textbooks although even in this stronghold one senses anxiety among the more progressive or commercially sensitive authors. Perhaps there are limits to what the young will accept.

And the arrangements by which orthodoxy is conserved in the modern academy also remain formidable. In its first half century or so as a subject of instruction and research, economics was subject to censorship by outsiders. Businessmen and their political and ideological acolytes kept watch on departments of economics and reacted promptly to heresy, the latter being anything that seemed to threaten the sanctity of property, profits, a proper tariff policy, a balanced budget, or which involved sympathy for unions, public ownership, public regulation or, in any organized way, for the poor. The growing power and self-confidence of the educational estate, the formidable and growing complexity of our subject and, no doubt, the increasing acceptability of our ideas has largely relieved us of this intervention.

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In leading centers of instruction faculty responsibility is either secure or increasingly so. But in place of the old censorship has come a new despotism. That consists in defining scientific excellence as whatever is closest in belief and method to the scholarly tendency of the people who are already there. This is a pervasive and oppressive thing not the less dangerous for being, in the frequent case, both self-righteous and unconscious.

But there are problems even with this control. Neoclassical or neo-Keynesian economics, though providing unlimited opportunity for demanding refinement, has a decisive flaw. It offers no useful handle for grasping the economic problems that now beset the modern society. And these problems are obtrusive—they will not lie down and die as a favor to our profession. No arrangement for the perpetuation of thought is secure if that thought does not make contact with the problems that it is presumed to solve.

I will not omit this evening to mention the failures of neoclassical theory. But I want also to urge the means by which we can reassociate ourselves with reality. Some of this will summarize past argument, more a book that is presently to be published. At this stage even the most conservative among my listeners will be reassured. To speak well of one's own published and unpublished writing, whatever one's other aberrations, is strongly in our professional tradition.

I

The most commonplace features of neoclassical and neo-Keynesian economics are the assumptions by which power, and therewith political content, is removed from the subject. The business firm is subordinate to the instruction of the market and, thereby, to the individual or household. The state is subordinate to the instruction of the citizen. There are exceptions but these are to the general and controlling rule, and it is firmly on the rule that neoclassical theory is positioned. If the business firm is subordinate to the market—if that is its master—then it does not have power to deploy in the economy save as this is in the service of the market and the consumer. And the winning of action to influence or rig the behavior of markets apart, it cannot bring power to bear on the state for there the citizen is in charge.

The decisive weakness in neoclassical and neo-Keynesian economics is not the error in the assumptions by which it elides the problem of power. The capacity for erroneous belief is very great, especially where it coincides with convenience. Rather in eliding power—in making economics a nonpolitical subject—neoclassical theory, by the same process, destroys its relation with the real world. The problems of this world, moreover, are increasing both in number and in the depth of their social affliction. In consequence neoclassical and neo-Keynesian economics is relegating its players to the social sidelines where they either call no plays or urge the wrong ones.

Specifically the exclusion of power and the resulting political content from economics causes it to foretell only two intrinsic and important economic problems. One of these is the microeconomic problem of market imperfection—more specifically of monopoly or oligopoly in product or factor markets—leading to aberration in resource and income distribution. The other is the macroeconomic problem of unemployment or inflation—of a deficiency or excess in the aggregate demand for goods and services, including that associated with monetary effects. And on both problems the failure is dramatic. Neoclassical economics leads to the wrong solution of the microeconomic problem and to no solution of the macroeconomic problem. Meanwhile it leaves a whole galaxy of other urgent economic issues largely untouched.

It is now the considered sense of the community, even of economists when unhampered by professional doctrine, that the most prominent areas of market oligopoly—automobiles, rubber, chemicals, plastics, alcohol, tobacco, detergents, cosmetics, computers, bogus health remedies, space adventure—are areas not of low but of high development, not of inadequate but of excessive resource use. And there is a powerful instinct that in some areas of monopoly or oligopoly, most notably in the production of weapons and weapons systems, resource use is dangerously vast.

In further contradiction of the established microeconomic conclusions, we have an increasing reaction by the community to deficient resource use in industries that, at least in the scale and structure of the firm, approach the market model. Housing, health services, and local transportation are among the leading cases. The deprivation and social distress that follow from the poor performance of these industries are also something that, in their nondoctrinal manifestation, most economists take for granted.

The defender of the established doctrine does, of course, argue that excess and deprivation in resource use in the areas just mentioned reflect consumer choice. And in the areas of deprivation he can rightly insist that the fault lies with firms that, though small, are local monopolies or reflect the monopoly power of unions. These explanations beg two remarkably obvious questions: Why does the modern consumer increasingly tend to insanity, increasingly insist on self-abuse? And why do little monopolies perform badly and the big ones too well?

In fact the neoclassical model has no explanation of the most important microeconomic problem of our time. That problem is why we have a highly unequal development as between industries of great market power and industries of slight market power, with the development, in defiance of all doctrine, greatly favoring the first.[1]

The macroeconomic failure has been, if anything, more embarrassing. Save in its strictly mystical manifestation in one branch of monetary theory, modern macroeconomic policy depends for its validity and workability on the neoclassical market. That market, whether competitive, monopolistic, or oligopolistic, is the ultimate and authoritative instruction to the profit-maximizing firm. When output and employment are deficient, policy requires that aggregate demand be increased; this is an instruction to the market to which firms in turn respond. When the economy is at or near the effective capacity of the plant and the labor force and inflation is the relevant social discomfort, the remedy is reversed. Demand is curtailed; the result is either an initial effect on prices or a delayed one as surplus labor seeks employment, interest rates fall and lower factor costs bring stable or lower prices.

Such is the accepted basis of policy. It follows faithfully from the neoclassical faith in the market. The practical consequences of pursuing it need no elucidation. It has been tried in recent years in every developed country. The common result has been politically unacceptable unemployment, persistent and (in my view) socially damaging inflation or, more often, a combination of the two. The extreme failure has been, not surprisingly, in the most advanced industrial country,

[1] It will be observed that performance in agriculture, an industry in which the firm has little market power, is not adverse. But it should also be observed that in no industry has power over prices been more completely removed to public authority or is there greater effort at collective control of costs or a more comprehensive socialization of technology.

the United States. But the recent experience of Britain has been almost equally disenchanting. One gathers that there may be Canadian politicians who now believe that a combination of unemployment and inflation is not the best platform on which to fight a general election.

We should not deny ourselves either the instruction or the amusement that comes from the recent history of the United States in this matter. Four years ago Mr. Nixon came to office with a firm commitment to neoclassical orthodoxy. In this he was supported by some of its most distinguished and devout exponents in all the land. His subsequent discovery that he was a Keynesian involved no precipitate or radical departure from this faith. The discovery came thirty-five years after *The General Theory*; as I have just noted, all neo-Keynesian policy rests firmly on the paramount role of the market. But then a year and a half ago, facing reelection, he found that his economists' commitment to neoclassical and Keynesian orthodoxy, however admirable in the abstract, was a luxury that he could no longer afford. He apostatized to wage and price control; so, with exemplary flexibility of mind, did his economists although admittedly this acceptance of the real world has still to survive its critical test which is the apostates' return to computers and classrooms. But our admiration for this pliability should not keep us from recalling that, when the President changed course, no American economists were anywhere working on the policy he was forced by circumstances to adopt. And it is even more disturbing that few are now working on the policy which we have been forced to follow.

More economists, in fact, are still concerning themselves with the effort to reconcile controls with the neoclassical market. This has involved an unrewarding combination of economics and archeology with wishful thinking. It holds that an inflationary momentum developed during the late 1960's in connection with the financing—or underfinancing—of the Vietnam war. And inflationary expectation became part of business and trade union calculation. The momentum and expectation still survive. The controls are necessary until these are dissipated. Then the neoclassical and neo-Keynesian world will return, along with the appropriate policies, in all their quiet comfort. We may be sure that will not happen. Nor will we expect it to happen if we see the role of power and political decision in modern economic behavior.

II

In place of the market system, we must now assume that for approximately half of all economic output there is a power or planning system. (The latter term seems to me more descriptive, less pejorative and thus preferable.) The planning system consists in the United States of, at the most, 2,000 large corporations. In their operation they have power that transcends the market. They rival where they do not borrow from the power of the state. My views on these matters will be familiar at least to some, and I shall spare myself the pleasure of extensive repetition. I cannot think that the power of the modern corporation, the purposes for which it is used or the associated power of the modern union would seem implausible or even very novel were they not in conflict with the vested doctrine.

Thus we agree that the modern corporation, either by itself or in conjunction with others, has extensive influence over its prices and its major costs. Can we doubt that it goes beyond its prices and the market to persuade its customers? Or that it goes back of its costs to organize supply? Or that from its earnings or the possession of financial affiliates it seeks to control its sources of capital? Or that its persuasion of the consumer joined with the similar effort of other firms—and with the more than incidental blessing of neoclassical pedagogy—helps establish the values of the community, notably the association between well-being and the progressively increased consumption of the products of this part of the economy?

And as citizens, if not as scholars, we would not deny that the modern corporation has a compelling position in the modern state. What it needs in research and development, technically qualified people, public works, emergency financial support, becomes public policy. So does the military procurement that sustains the demand for numerous of its products. So, perhaps, does the foreign policy that justifies the military procurement. And the means by which this power is brought to bear on the state is widely accepted. It requires an organization to deal with an organization. And between public and private bureaucracies—between GM and the Department of Transportation, General Dynamics and the Pentagon—there is a deeply symbiotic relationship. Each of these organizations can do much for the other. There is even, between them, a large and continuous interchange of executive personnel.

Finally over this exercise of power and much enhancing it is the rich gloss of reputability. The men who guide the modern corporation, including the financial, legal, technical, advertising, and other sacerdotal authorities in corporate function, are the most respectable, affluent, and prestigious members of the national community. They are the Establishment. Their interest tends to become the public interest. It is an interest that even some economists find it comfortable and rewarding to avow.

That interest, needless to say, is profoundly concerned with power—with winning acceptance by others of the collective or corporate purpose. It does not disavow profits. These are important for ensuring the autonomy of the management—what I have called the technostructure—and for bringing the supply of capital within the control of the firm. Profits are also a source of prestige and therewith of influence. But of paramount importance is the much more directly political goal of growth. Such growth carries a strong economic reward; it directly enhances the pay, perquisites, and opportunities for promotion of the members of the technostructure. And it consolidates and enhances authority. It does this for the individual—for the man who now heads a larger organization or a larger part of an organization than before. And it increases the influence of the corporation as a whole.

Neoclassical economics is not without an instinct for survival. It rightly sees the unmanaged sovereignty of the consumer, the ultimate sovereignty of the citizen and the maximization of profits and resulting subordination of the firm to the market as the three legs of a tripod on which it stands. These are what exclude the role of power in the system. All three propositions tax the capacity for belief. That the modern consumer is the object of a massive management effort by the producer is not readily denied. The methods of such management, by their nature, are embarrassingly visible. It can only be argued that somehow it all cancels out. Elections in the United States and Canada are now being fought on the issue of the subordination of the state to corporate interest. As voters, economists accept the validity of the issue. Only their teaching denies it. But the commitment of the modern corporate bureaucracy to its expansion is, perhaps, the clearest of all. That the modern conglomerate always pursues profit over aggrandizement is believed by none. It is a commonplace of these last years, strongly reflected in securities' prices, that agglomeration has always been good for growth but often bad for earnings.

There remains in the modern economy—and this I stress—a world of small firms where the instruction of the market is still paramount, where costs are given, where the state is remote and subject through the legislature to the traditional pressures of economic interest groups and where profit maximization alone is consistent with survival. We should not think of this as the classically competitive part of the system—in contrast with the monopolistic or oligopolistic sector from which the planning system has evolved. Rather, in its combination of competitive and monopolistic structures, it approaches the entire neoclassical model. We have, to repeat, two systems. In one, power is still, as ever, contained by the market. In another and still evolving system, power extends incompletely but comprehensively to markets, to the people who patronize them, to the state and thus, ultimately, to resource use. The coexistence of these two systems becomes, in turn, a major clue to economic performance.

III

Power being so comprehensively deployed in a very large part of the total economy, there can no longer, except for reasons of game-playing or more deliberate intellectual evasion, be any separation by economists between economics and politics. When the modern corporation acquires power over markets, power in the community, power over the state, power over belief, it is a political instrument, different in form and degree but not in kind from the state itself. To hold otherwise—to deny the political character of the modern corporation—is not merely to avoid the reality. It is to disguise the reality. The victims of that disguise are those we instruct in error. The beneficiaries are the institutions whose power we so disguise. Let there be no question: Economics, so long as it is thus taught, becomes, however unconsciously, a part of an arrangement by which the citizen or student is kept from seeing how he is, or will be, governed.

This does not mean that economics now becomes a branch of political science. That is a prospect by which we would rightly be repelled. Political science is also the captive of its stereotypes—including that of citizen control of the state. Also while economics cherishes thought, at least in principle, political science regularly accords reverence to the man who knows only what has been done before. Economics does not become a part of political science. But politics does—and must—become a part of economics.

There will be fear that once we abandon present theory, with its intellectually demanding refinement and its increasing instinct for measurement, we shall lose the filter by which scholars are separated from charlatans and windbags. These latter are always a danger, but there is more danger in remaining with a world that is not real. And we shall be surprised, I think, at the new clarity and intellectual consistency with which we see our world, once power is made a part of our system. To such a view let me now turn.

IV

In the neoclassical view of the economy a general identity of interest between the goals of the business firm and those of the community could be assumed. The firm was subject to the instruction of the community, either through the market or the ballot box. People could not be fundamentally in conflict with themselves—always given some reasonable decency in income distribution. Once the firm in the planning system is seen to have comprehensive power to pursue its own interest, this assumption becomes untenable. Perhaps by accident its interests are those of the public but there is no organic reason why this must be so. In the absence of proof to the contrary, divergence of interest, not identity of interest, must be assumed.

The nature of the conflict also becomes predictable. Growth being a principal goal of the planning system it will be great where power is great. And in the market sector of the economy, growth will, at least by comparison, be deficient. This will not, as neoclassical doctrine holds, be because people have an amiable tendency to misunderstand their needs. It will be because the system is so constructed as to serve badly their needs and then to win greater or less acquiescence in the result. That the present system should lead to an excessive output of automobiles, an improbable effort to cover the economically developed sections of the planet with asphalt, a lunar preoccupation with moon exploration, a fantastically expensive and potentially suicidal investment in missiles, submarines, bombers, and aircraft carriers, is as one would expect. These are the industries with power to command resources for growth. And central to public purpose—to sound resource utilization—will be a cutback in such industries, as all instinct now suggests. Thus does the introduction of power as a comprehensive aspect of our system correct present error. Let us not fail to note that these are exactly the industries in which an uncomplicated neoclassical view of monopoly and oligopoly and of profit maximization at the expense of ideal resource use would, of all things, suggest an expansion of output. How wrong are we allowed to be!

The counterpart of excessive resource use in the planning system where power is comprehensively deployed is a relatively deficient resource use where power is circumscribed. Such will be the case in the part of the economy where competition and entrepreneurial monopoly as distinct from great organization are the rule. And if the product or service is closely related to comfort or survival, the discontent will be considerable. That housing, health services, local transportation, some household services, are now areas of grave inadequacy is agreed. It is in such industries that all modern governments seek to expand resource use. Here, in desperation, even the devout free enterprisers accept the need for social action, even of socialism.

Again, we may observe, the error of economics is prejudicial. Although as citizens we advocate restraint in the area of excessive resource use, our teaching does not. And though as citizens we urge social action where the firm approaches the neoclassical norm, our teaching does not. In this latter case we not only disguise corporate power but we make remedial action in such areas as housing, health care, transportation, also abnormal—the consequence of *sui generis* error that is never quite explained. This is unfortunate for here are tasks that require imagination, pride and determination.

V

When power is admitted to our calculus, our macroeconomic embarrassment also disappears. Economics makes plausible what governments are forced, in practice, to do. Corporations have power in their markets. So, and partly in consequence, do unions. The competitive claims of unions can most conveniently be resolved by passing the cost of settlement along to the public. Measures to arrest this exercise of power by limiting aggregate demand must be severe. And, not surprisingly, the power of the planning system has been brought to bear to exclude those macroeconomic measures that have a primary effect on that system. Thus monetary policy is entirely permissible; that is at least partly because its primary effect is on the neoclassical entrepreneur who must borrow money. Monetary constraint is far less painful for the large established corporation which, as an elementary exercise of power, has ensured itself a supply of capital from earnings or financial affiliates or morally affiliated banks. The power of the planning system in the community has also won immunity for public expenditures important to itself—highways, industrial research, rescue loans, national defense. These have the sanction of a higher public purpose. A similar if still slightly less successful effort is being made on behalf of corporate and personal taxes. So fiscal policy has also been accommodated to the interests of the planning system.

Thus the inevitability of controls. The interaction of corporate and trade union power can be made to yield only to the strongest fiscal and monetary restraints. Those restraints that are available have a comparatively benign effect on those with power, but they weigh adversely on people who vote. When no election is in prospect, perhaps such a policy is possible. It will earn applause for its respectability. But it cannot be tolerated by anyone who must weigh its popular effect.

As with the need for social action and organization in the market sector there are many reasons why it would be well were economists to accept the inevitability of wage and price control. It would help keep politicians, responding to the resonance of their own past instruction, from supposing controls to be wicked and unnatural and hence temporary and to be abandoned whenever they seemed to be working. This is a poor mood in which to develop sound administration. And it would cause economists themselves to consider how controls can be made workable and how the effect on income distribution can be made equitable. With controls this last becomes a serious matter. The market is no longer a disguise for inequality, however egregious, in income distribution. Much inequality must be seen to be the result of relative power.

VI

When power is made part of our system, yet other matters of considerable current moment are illuminated. Thus the counterpart of systemic differences in development as between the planning and market sectors of the economy is systemic sectoral differences in income. In the neoclassical system, resource mobility is assumed, broadly speaking, to equalize inter-industry return. If there is inequality, it is the result of barriers to movement. Now we see that, given its comprehensive market power, the planning system can protect itself from adverse movements in its terms of trade. The same power allows it to accept unions for it need not absorb even temporarily their demands. In the market system, some areas of monopoly or union power apart, there is no similar control of the terms of trade. Given the absence of market power there can be no similar yielding on wage costs for there is no similar certainty that they can be passed on. (It is because of the character of the industry he seeks to organize, not his original power, that Cesar Chavez is for so many the new Lenin.) And, in the market system, the self-employed have the option —not present in the planning system—of reducing their own wages (and sometimes those of families or immediate employees) in order to survive.

Thus there is a built-in inequality in income between the two systems. And thus also the case for minimum wage legislation, support to trade unions in agriculture, price support legislation, and most important, perhaps, a floor under family income as antidotes to such inter-industry inequality. Again this view of matters fits our present concerns. Minimum wage legislation, price support legislation, and support to collective bargaining are all questions of continuing political controversy as they apply to small business and agriculture. They are not serious issues in highly organized industry—in the planning system. And the question of a floor under family income, a matter of intense political argument, has recently divided workers in the planning system who would not be beneficiaries from those in the market system who would be. Again there is reassurance in a view of the economy that prepares us for the politics of our time.

The inclusion of power in economic calculus also prepares us for the great debate over the environment. It is the claim of neoclassical economics that it foresaw possible environmental consequences from economic development—that it, some time ago, embraced the concept of external diseconomies of production and, by inference, of consumption. Alas, this is a modest claim. The noninclusion of external diseconomies was long viewed as a minor defect of the price system—an afterthought for an hour's classroom discussion. And, as E. J. Mishan has observed, it was largely ignored in the textbooks. Nor does the notion of external diseconomies now offer a useful remedy. No one can suppose, or really supposes, that more than a fraction of the damage—especially that to the beauty and tranquility of our surroundings—could be compensated in any useful way by internalizing external diseconomies.

If growth is the central and rewarding purpose of the firm and if power is comprehensively available to impose this goal on the society, the possibility of conflict between private growth and public purpose as regards the environment is immediately plausible. So, since this power depends extensively not on force but persuasion, is the effort to make pollution seem palatable or worth the cost, including the effort to make advertising of remedial action a substitute for action. And so is the remedy to which all industrial countries are being forced. This is not, primarily, to internalize external diseconomies. Rather it is to specify the legal parameters within which growth may proceed or, as in the case of automobile use in central cities, airplane use over urban areas, the SST, industrial, commercial, and residential appropriation of countryside and roadside, the kinds of growth that are inconsistent with public purpose. We would have saved much corruption of our surroundings if our economics had held such action to be the predictable consequence of the pursuit of present economic goals and not the exceptional result of a peculiar aberration of the price system.

We had best, in any case, have the right guide to action for the future for there is a strong conservative case for such guidance. While economists toy weakly with external diseconomies, others are arguing that growth itself is the villain. They are seeking its extinction. To see environmental damage as a natural consequence of planning power and purpose and to see, in consequence, the need for confining growth within parameters that protect the public interest could be important for ensuring continued economic growth.

Finally, when power becomes part of our system, so does Ralph Nader. We are prepared for the explosion of concern now called consumerism. If the consumer is the ultimate source of authority, his abuse is an occasional fault. He cannot be fundamentally at odds with an economic system that he commands. But if the producing firm has comprehensive power and purposes of its own, there is every likelihood of conflict. Technology is then subordinate to the strategy of consumer persuasion.

Products are changed not to make them better but to take advantage of the belief that what is new is better. There is a high failure rate in engineering not what is better but what can be sold. The consumer—the unpersuaded or disenchanted consumer—rebels. This is not a rebellion against minor matters of fraud or misinformation. It is a major reaction against a whole deployment of power by which the consumer is made the instrument of purposes that are not his own.

VII

There are two conclusions to which this exercise—to which incorporation of power into our system—compels us. The first, in a way, is encouraging. It is that economists' work is not yet done. On the contrary, it is just beginning. If we accept the reality of power as part of our system, we have years of useful work ahead of us. And since we will be in touch with real issues, and since issues that are real inspire passion, our life will, again, be pleasantly contentious, perhaps even usefully dangerous.

The other conclusion concerns the state. For when we make power and therewith politics a part of our system, we can no longer escape or disguise the contradictory character of the modern state. The state is the prime object of economic power. It is captured. Yet on all the matters I have mentioned—the restrictions on excessive resource use, organization to offset inadequate resource use, controls, action to correct systemic inequality, protection of the environment, protection of the consumer—remedial action lies with the state. The fox is powerful in the management of the coop. To this management the chickens must look for redress.

Thus perhaps our greatest question. Is emancipation of the state from the control of the planning system possible? No one knows. And in the absence of knowledge no one certainly will suggest that it will be easy. But there is a gleam of encouragement. As ever circumstances are forcing the pace.

In the United States the recent election was fought, all but exclusively, over issues in which the purposes of the planning system or its major participants diverge from those of the public. The question of defense expenditures is such an issue. That of tax reform is another. The deprivation in housing, mass transportation, health services, city services, is yet another—one that reflects the relative inability of these industries to organize and command resources. The question of a guaranteed income is another such issue. Its effect, as I have noted, is on incomes outside the planning system—on the exploited in the market system, those who are rejected by both. The environment is such an issue—with its conflict between the technostructure's goal of growth and the public concern for its surroundings. Only wage and price control was not an issue in the recent election. That was almost certainly because economists of orthodox tendency on both sides found the prospect too embarrassing to discuss.

I do not mention these issues with any purpose save to show that the questions that emerge when power is made a part of our calculus are present and real. We need hardly remind ourselves that political issues are made not by parties and politicians but by circumstance.

Once power is made part of our system, we will not of course escape the political contention that comes from dealing with issues that are real. This brings me to my last point. I do not plead for partisanship in our economics but for neutrality. But let us be clear as to what is neutral. If the state must be emancipated from economic interest, a neutral economics would not deny the need. This is what economics now does. It tells the young and susceptible and the old and vulnerable that economic life has no content of power and politics because the firm is safely subordinate to the market and to the state and for this reason it is safely at the command of the consumer and citizen. Such an economics is not neutral. It is the influential and invaluable ally of those whose exercise of power depends on an acquiescent public. If the state is the executive committee of the great corporation and the planning system, it is partly because neoclassical economics is its instrument for neutralizing suspicion that this is so. I have spoken of the emancipation of the state from economic interest. For the economist there can be no doubt as to where this task begins. It is with the emancipation of economic belief.