

AN ECONOMICS FOR THE LEFT

What would an economics for the left look like? It seems to me that it requires two things. First, it needs an economic theory derived from a close observation of the way the US economy actually behaves, and which creates a framework in which society can choose its goals and implement them effectively and as efficiently as possible. Second, it requires a leftist program, one clearly differentiable from the program of the conservatives and neoliberals which has so miserably failed millions of us, and one that people can understand and can see how it would make for a better world.

Theory

At the beginning of the 20th Century, the productive sector was dominated by a small group of capitalists who were primarily industrialists and financiers. Their control was secured by both federal and state governments in the name of protecting property rights and preventing Socialism. The interests of the rest of the people were for the most part ignored by the government. On the rare occasions when some piece of protective legislation was passed the courts struck it down. When a strike threatened the profits of the capitalists, the courts were quick to legitimate the use of force by governments. Eventually there was a small but effective Socialist Party. The capitalists responded by conflating Socialism with Anarchism and Communism, leading to the Palmer Raids, the jailing of the Socialist leader Eugene Debs, and other actions to crush all opposition to the dominant capitalist ideology.

Socialism came back in a milder form during the Depression, leading to the New Deal under FDR. Many of the major changes were made possible by fear of the Communists, particularly their support of the rights of African-Americans. That fear became stronger during WWII, and the

Democrats purged Socialists from their party, starting with Henry Wallace, and the labor unions purged every last Communist and Socialist after the War. That left economics to a temporarily chastened breed of capitalists. By the 1950s there was no effective left opposition to capitalism. What C. Wright Mills called the Capitalist Celebration took over all economic discourse, and with no opposition, it was easy for a new breed of capitalists to push for the Gilded Age form of capitalism which we now call Neoliberalism.

The economic theory underlying this ideology had its roots in the 19th Century. William Stanley Jevons, one of the inventors of the theory of marginal utility and one of the first people to use the mathematical method in economics, wrote in *The Theory of Political Economy*, § 1.29 (1871).

I wish to say a few words, in this place, upon the relation of Economics to Moral Science. The theory which follows is entirely based on a calculus of pleasure and pain; and the object of Economics is to maximise happiness by purchasing pleasure, as it were, at the lowest cost of pain.

At the very core of neoclassical economics there is a moral judgment about humans and their behavior. Mainstream economics retains that core, and adds a number of other moral judgments. We are selfish utility maximizing creatures, we are purely rational creatures, able to make complex calculations about our utility on the fly. We are rewarded by the market for our skills, so that failure is our own fault, and success is due to our excellence. Economists use terms like moral hazard, and those preaching austerity claim that recessions and depressions are the result of our moral failures and we must be punished for those failures. Citizens acting through government neither can nor should do anything to make things better. Only the free market can save us.

A sensible leftist economic theory would not be grounded in an archaic philosophical theory about the nature of humanity or the nature of individual humans. It should to the maximum extent possible be non-judgmental about humans, and it should be as impervious as possible to the addition of moral overtones. We should look for a descriptive theory based on close observation of the way things work. Modern Money Theory is certainly a model for this kind of theory. Here's how L. Randall Wray describes it in *Modern Money Theory: A Primer on Macroeconomics for Sovereign Monetary Systems*, §7.10:

On one level, the MMT approach is descriptive: it explains how a sovereign currency works. When we talk about government spending by keystrokes and argue that the issuer of a sovereign currency cannot run out of them, that is descriptive. When we say that sovereign governments do not borrow their own currency, that is descriptive. Our classification of bond sales as part of monetary policy, to help the central bank hit its interest rate target, is also descriptive. And finally, when we argue that a floating exchange rate provides the most domestic policy space, that is also descriptive.

Functional finance then provides a framework for prescriptive policy.

Any respectable economic theory should lend itself to either side as a plausible framework for solving society's problems. Here's what Wray says about that:

However, I also believe that most of the tenets of MMT can be adopted by anyone. It does not bother me if some simply want to use the descriptive part of MMT without agreeing with the policy prescriptions. The description provides a framework for policymaking. But there

is room for disagreement over what government should do. Once we understand that affordability is not an issue for a sovereign currency-issuing government, then questions about what government should do become paramount. And we can disagree on those. (Emphasis in original.)

Program

It's easy to identify a left program for the economy. We simply pick up where Franklin Delano Roosevelt left us, with his Second Bill of Rights. This is from his State of the Union Address, January 11, 1944.

We have come to a clear realization of the fact that true individual freedom cannot exist without economic security and independence. "Necessitous men are not free men." People who are hungry and out of a job are the stuff of which dictatorships are made.

In our day these economic truths have become accepted as self-evident. We have accepted, so to speak, a second Bill of Rights under which a new basis of security and prosperity can be established for all regardless of station, race, or creed.

Among these are:

The right to a useful and remunerative job in the industries or shops or farms or mines of the Nation;

The right to earn enough to provide adequate food and clothing and recreation;

The right of every farmer to raise and sell his products at a return which will give him and his family a decent living;

The right of every businessman, large and small, to trade in an atmosphere of

freedom from unfair competition and domination by monopolies at home or abroad;

The right of every family to a decent home;

The right to adequate medical care and the opportunity to achieve and enjoy good health;

The right to adequate protection from the economic fears of old age, sickness, accident, and unemployment;

The right to a good education.

All of these rights spell security. And after this war is won we must be prepared to move forward, in the implementation of these rights, to new goals of human happiness and well-being.

If it was good enough for FDR, and an inspiration for Bernie Sanders, it's good enough for me.

It's time to start thinking about an overarching program for the left, one that enables us to respond to the lives people are living right now. The economy is just one of the issues important to the left, but it sets the framework of permitted solutions to the many other problems we have. In future posts, I plan to take up these issues in more detail.