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Dominant capital is much more powerful than you think

February 5, 2021 [Editor](#) [Leave a comment](#) [Go to comments](#)

from **Shimshon Bichler** and **Jonathan Nitzan**

1. Capital as power, differential accumulation and dominant capital

According to the theory of capital as power (CasP), capitalists and corporations are driven not to maximize profit, but to ‘beat the average’. Their yardstick is not an unmeasurable theoretical abstraction, but the readily observable performance of others. Their aim is not to increase their ‘material gain’, counted in fictitious utils or socially necessary abstract labour time, but to earn more money than everyone else. And the reason, we argue, has to do with power. In capitalism, capital *is* power, and to accumulate it differentially – i.e., relative to others – is to fortify and augment one’s organized power over others.

Following Kepler’s modern notion of force, CasP sees capitalized power not as a *stand-alone qualitative entity*, but as a *quantitative relationship between entities*.

First, capitalized power is not absolute, but *relational*. It's not a 'battery' or 'energy' that some entities possess and use to impose their will over others. Instead, it is the actual structure of differential relationships among capitalist owners and organizations as well as between those owners and organization and others who are subjugated to them and resist their domination.

Second, capitalized power is a *pure quantity*. The actual institutions, structures and processes of capitalist power – from production, to finance, to government, religion, ideology, international relations, crime and what not – vary greatly. They are qualitatively different from each other and, in that sense, hard if not impossible to compare and aggregate. But in capitalism, these qualitative differences all get reduced to pure numbers: they are converted to the universal quantities of differential profit, investors' hype and risk perceptions – and from there they get discounted to the universal quantity of differential capitalization.

The ongoing quest to beat the average and accumulate differentially goes hand in hand with CasP's notion of 'dominant capital'. All capitalists try to beat the average, but only some succeed and only a minority succeeds systematically, at least over a certain period. In time, this minority percolates up the hierarchies of power to formulate the cluster we call dominant capital. This cluster comprises the largest government-backed corporate coalitions at the centre of any given sector, a particular society, a group of countries and, ultimate, the capitalist world as a whole. The constituent entities of dominant capital change over time – the Alphabets and Apples of today have substituted the U.S. Steels and AT&Ts of a century ago and will likely be replaced by others in the future. But topologically, as a ruling entity, dominant capital is ubiquitous. There is hardly a capitalist setting without it.

2. Aggregate concentration

How should we measure the power of dominant capital?

Economists, although seldom if ever referring to 'dominant capital', quantify the relative size of large firms by measuring their so-called aggregate concentration – namely, their combined share in a particular business total. The computation of this measure is straightforward. You start from the corporate universe in question – for example, all active corporations operating in the United States. You then calculate their aggregate size – that is, their total assets, total sales, total profit and so on, as the case may be. Next, you identify the dominant capital group in question – for instance, the top 100 or top 500 corporations in the United States – and compute their own total assets, sales or profit. Finally, you measure the share of total assets, sales or profit that is accounted for by dominant capital. And that's it.

Figure 1 shows two measures of aggregate concentration for total U.S. net profit (expressed as five-year trailing averages). The bottom series shows the net profit share of the top 100 corporations, while the top one shows the same share for the top 500 corporations. The two groups of top firms are ranked annually by market capitalization. They comprise entities that are incorporated and listed in the United States and exclude foreign and unlisted firms.

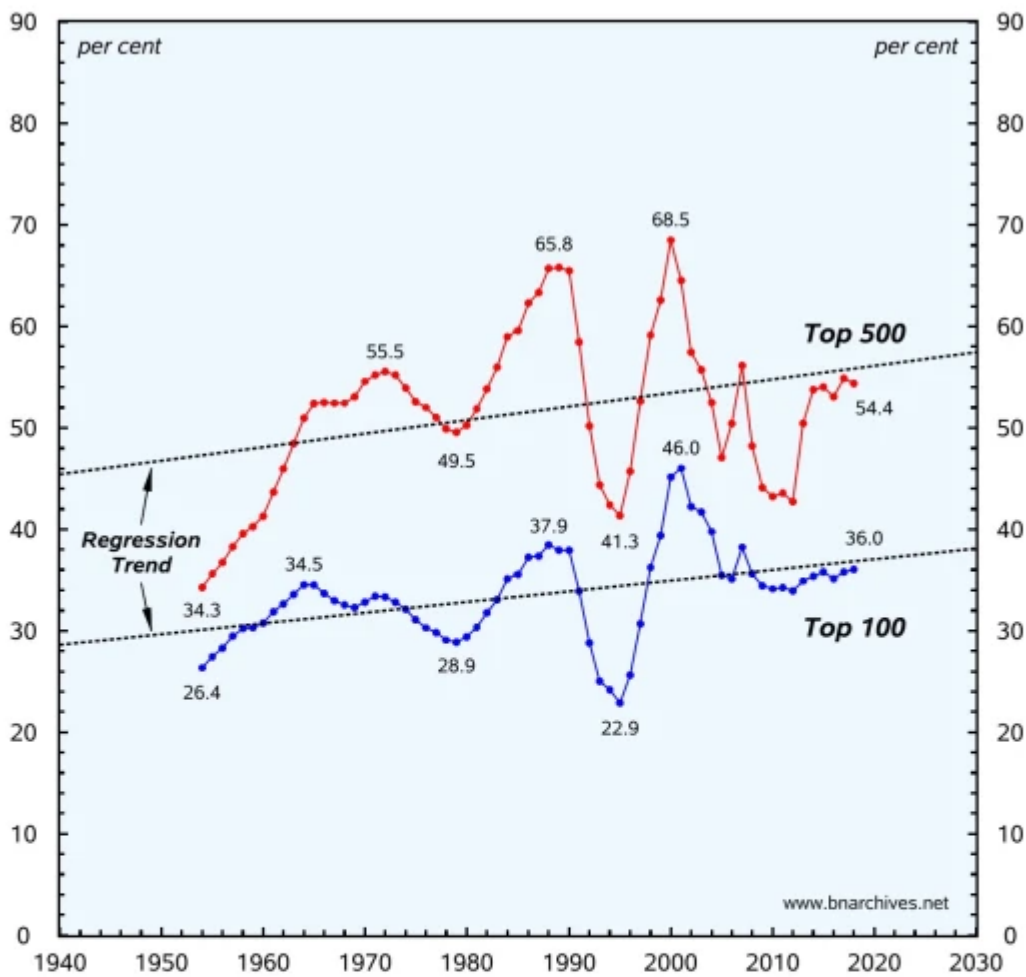


Figure 1. Aggregate Concentration of Net Profit in the United States
Share of total net profit accounted for by the top 100 and 500 firms
listed and incorporated in the United States, 1954-2018

NOTE: Series are shown as five-year trailing averages. Series measure the per cent share of the top 100 and top 500 U.S.-incorporated and listed Compustat firms (ranked annually by market capitalization) in the overall net profit of all U.S. active corporations (listed and unlisted).

SOURCE: Compustat FUNDA file through WRDS (series codes: NI for the net income of the top 100 and top 500 U.S.-incorporated and listed firms); U.S. Bureau of Economic Analysis through IHS Markit (ZA for total corporate profit after taxes).

If we take the aggregate concentration of profit as our measure of power, we have to conclude that dominant capital is very powerful. Its top 100 corporations currently account for more than one-third of the country's net profit, while its top 500 earn more than one-half. We must further conclude that this power has risen over time (note the regression uptrends). Compared to the early 1950s, the top 100 firms have seen their size rise by over one-third, while the top 500 by nearly two-thirds. Finally, based on its dramatic fluctuations, we need to infer that the rise of this power has been rather erratic.

But for all the insight they offer, measures of aggregate concentration have one serious shortcoming: they tend to underestimate the power of dominant capital and its temporal growth – by a lot.

3. The trouble with aggregate concentration

The difficulty starts with the definition and can be explained with basic algebra. Let's use the letter (s) to denote the average size of a dominant capital firm (in our case here, this will be the average net profit, in dollars, earned by a 'typical' dominant capital firm). Similarly, let's use (n) to count the number of dominant capital firms (in this case, the number will be 100 or 500, depending on the group we focus on). Next, let's have (S) stand for the

average size of a firm in the corporate universe (which, in our case, will be the average net profit per corporation, in dollars). Finally, we'll use (N) to denote the number of firms in the corporate universe (in this case, the total number of active corporations in the United States). Using these basic notations, we can express aggregate concentration with Equation 1, such that:

$$1. \text{ aggregate concentration} = \frac{s \times n}{s \times N} = \left(\frac{s}{S}\right) \times \left(\frac{n}{N}\right)$$

According to the equation, the rate of aggregate concentration depends on two distinct ratios: (1) the 'size ratio' (s/S), which measures the differential magnitude of dominant capital; and (2) the 'number ratio' (n/N), which compares the number of dominant capital firms to the total number of firms.

And here lies the problem: over time, these two ratios – the size ratio (s/S) and the number ratio (n/N) – trend in *opposite* directions.

The size ratio (s/S) tends to go up. The main reason is that while large firms grow rapidly, small firms, on average, grow rather slowly. The relatively low rate of small-firm growth merits an explanation. Individually, some small corporations can grow rapidly and a select few may even rise to the ranks of dominant capital. But the corporate universe as whole is constantly infused with newborn corporations, and newborn corporations are *almost always small*. The magnitude of this infusion is significant. Over the past century, the number of active U.S. corporations has risen more than 18-fold – from around 340,000 in 1916 to over 6,300,000 in 2017 – representing a compounded annual increase of more than 2.9 per cent. This ongoing influx of tiny corporations causes the *average* corporation to remain small and grow rather slowly.

By contrast, the number ratio (n/N) tends to fall. This drop occurs because the number of dominant capital corporations remains fixed – at 100 and 500 in our case here – while the overall number of firms, as we have seen, keeps rising.

These opposite movements – the rise of the size ratio (s/S) and the fall of the number ratio (n/N) – mean that a significant drop in (n/N) can stunt the growth of aggregate concentration or even make it negative, and this stunting/inversion can happen even if the typical dominant capital firm grows relative to the average corporation!

4. Dominant capital versus the rest

The counter movement of the size and number ratios is *conceptually* problematic because the numerator and denominator of aggregate concentration do not represent the same type of entity. In fact, they pertain to fundamentally different entities.

The numerator measures the overall size of dominant capital — an organized cluster whose key owners/controllers are a close proxy for the ruling class as one can get. This group is subject to intra-distributional struggles, exits and entries, organizational rearrangements, mergers and divestitures. But overall, it is probably the most cohesive and often the only self-aware class in society. The members of this group, its owners and controllers are connected and fused through numerous ownership, business, cultural and sometimes family ties; they are tightly linked to key government and international organs through a complex web of regulations, policies, contracts, revolving doors and a shared worldview; they impose, reinforce and obey the same encompassing logic of forward-looking capitalization and the institutions that protect it; and their accumulation trajectories often show close similarities.

The denominator, representing the corporate sector as a whole, is a very different creature. Excluding dominant capital, the vast majority of its firms are small. Unlike dominant capital, whose worldview is shaped and reshaped by the mode of power it constantly recreates and imposes, the owners of smaller firms often cling to bygone nineteenth-century ideals. They continue to swear by the 'free market' and the 'autonomous consumer', they love to bedevil 'government intervention' and the higher-up 'lobbies' and 'deep state' organs, and they long for the good old days of 'equal opportunity' and a 'level playing field'. Their own corporate units are only

loosely related through professional associations, if at all; they are removed from the high politics of organized sabotage; they have very little say in matters of formal politics, at least the important ones; and, most crucially, they tend to act at cross purposes. In no way can they be considered a unified power bloc.

The difference between the relatively unified body of dominant capital and the fractured nature of the rest of the corporate sector makes aggregate concentration ratios difficult to interpret: for example, an increase in the number of small corporations causes aggregate concentration to decline — yet that very increase fractures the small-corporation segment even further, causing the relative power of dominant capital to *rise*.

5. Differential measures

In our view, a better way to measure the power of dominant capital is do so not in the aggregate, but differentially. We need to compare not the totals, but the ‘typical’ units that make up those totals. In short, we need to focus on the relevant (s/S) in Equation 1.

This is what we do in Figure 2, which displays two differential measures — one for the top 100 firms, the other for the top 500 (which we express as five-year trailing averages and plot against a log scale). These measures are calculated in three steps: (1) by computing the average net profit of a dominant capital firm (total net profit earned by the top 100 and 500 Compustat firms divided by 100 and 500, respectively); (2) by calculating the average net profit per firm in the entire universe of active corporations (total net profit divided by the total number of active U.S. corporations); and (3) by dividing the first per-firm result for the top 100 and 500 corporations by the second per-firm result for the average corporation.

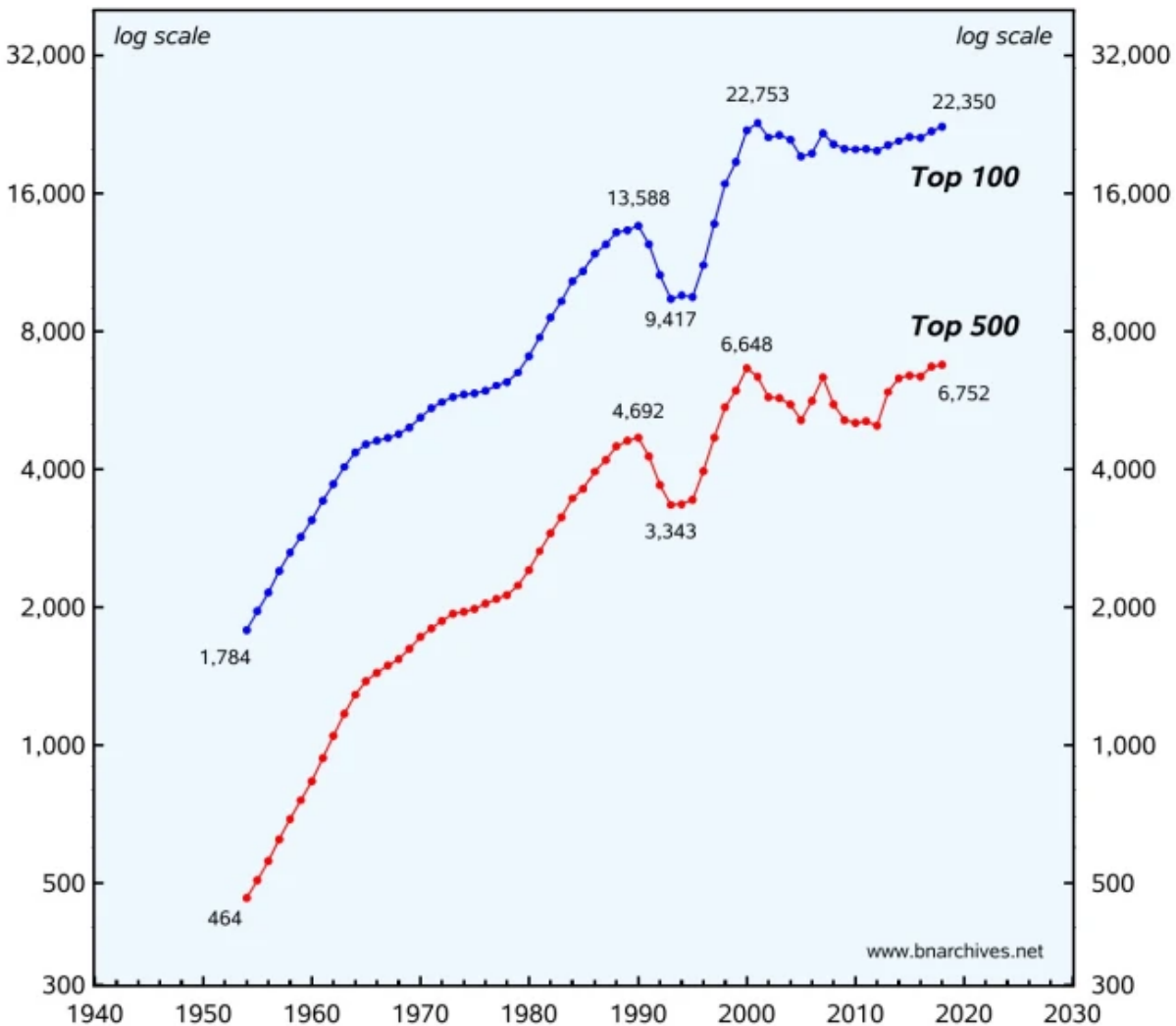


Figure 2. Differential Net Profit in the United States

Ratio between the average net profit per firm of the top 100 and 500 firms listed and incorporated in the United States and of all active U.S. corporations, 1954-2018

NOTE: Series are shown as five-year trailing averages. Series measure the ratio between the average net profit per firm of the top 100 and top 500 U.S.-incorporated and listed Compustat firms (ranked annually by market capitalization) and the average net profit per firm of all U.S. active corporations (listed and unlisted). The number of U.S. active corporations for 2018 is extrapolated based on the average annual growth rate of the number of corporations during 2007-2017.

SOURCE: Compustat FUNDA file through WRDS (series codes NI for the net income of the top 100 and top 500 U.S.-incorporated and listed firms). U.S. Internal Revenue Service (number of corporate tax returns for active corporations); U.S. Bureau of Economic Analysis through IHS Markit (ZA for total profit after taxes).

The ensuing ratios denote the differential-net-profit-read-power of the largest corporations. Beginning with the top 100 corporations, we can see that, in the early 1950s, the net profit of a typical dominant capital corporation was nearly 1,800 times larger than that of the average U.S. active corporation. By 2018, this multiple had risen more than 12-fold, to over 22,000.

The path for the top 500 corporations is different in magnitude but similar in dynamics. In the late 1950s, a typical top 500 corporation was over 460 time larger than the average corporation, and this ratio had risen more than 14-fold to nearly 6,800 by 2018.

6. Orders of magnitude

The power of dominant capital looks very different when measured differentially rather than in the aggregate. Aggregate concentration suggests that U.S. dominant capital currently accounts for between *one-third and one-half* of all profit (depending on whether we look at the top 100 or 500 corporations), and that since the 1950s this power has risen by between *one-third and two-thirds* (for the top 100 and top 500, respectively).

But dominant capital is qualitatively different from the rest of the corporate universe, so these aggregate measures can be misleading: since dominant capital is highly cohesive whereas the rest of the corporate sector is highly fractured, treating their overall sizes as comparable assigns to the latter group far more power than it possesses.

Differential measures minimize this bias. By comparing the size of the typical unit in each group, they offer a better sense of their relative power. And the difference between the two methods is very large. In the United States the magnitude of differential profit is *three to five orders of magnitude larger* than that of aggregate concentration, and its overall growth rate since the 1950s is *two orders of magnitude bigger*. [2]

Dominant capital is far more powerful and has grown much faster than it seems.

Endnotes

[1] This research note revises, expands and updates arguments and data first published in our 2009 book, [*Capital as Power: A Study of Order and Creorder*](#), pp. 316-321. Shimshon Bichler and Jonathan Nitzan teach political economy at colleges and universities in Israel and Canada, respectively. All their publications are available for free on *The Bichler & Nitzan Archives* (<http://bnarchives.net>). Work on this research note was partly supported by SSHRC. We thank Daniel Moure for his proofreading.

[2] Note that aggregate concentration is shown here in per cent while differential profit is expressed as a pure ratio.

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1. Ikonoclast

February 5, 2021 at 10:39 pm

[Reply](#)

It would be interesting to see the subset of “Finance” as a sector in this analysis, or even the subset of the “FIRE” (Finance, Insurance, Real Estate) sector, compared to the rest.

“The mutual reinforcement of debt and share prices is a closed circle, and so the world of money is decoupled from the real world, in which most people struggle, and leads eventually to a handful of super funds owning virtually everything”. – Yanis Varoufakis (as quoted by davetaylor1 in another thread).

I have been forming a similar view in the last several years. There seems to be an arising of, or an intensification of, dual circuits of money circulation in capitalism.

There is a saying, that “Quality is more important than quantity.” However, the antithesis is that “Quantity has a quality of its own.” A great enough quantity of something develops qualities all of its own. The physics of ripples and tsunamis or of small scale models and large originals are in a very real ways different, precisely because of changes in the differentials of the forces and dimensions involved. A ripple does not slow down and build up approaching the shore as a tsunami does, at least not on any scale that

makes it an important phenomenon affecting humans. A scale model is more affected by surface tension, drag and small perturbations than a full scale original.

We see this kind of thing with money, I contend. Surely one important cross-over point is that point where quantities of money change from the income and (sometimes) asset amounts necessary for subsistence or even middle class existence to the amounts which exceed these reproduction of labor and reproduction of middle class existence costs. Money in quantity becomes qualitatively different when it is no longer required in the main for subsistence, middle class existence or even elite existence. Differentials in marginal propensity to spend would be one of the expressions of this. This leads to differentials in the marginal ability to invest.

I think (and it seems Yanis Varoufakis also thinks) that this phenomenon can generate two circuits of money circulation. They are connected but the main circulation of each continues within its own circuit. The FIRE circuit feeds itself by, Q.E. these days, but also by surpluses it can draw in from the consumer circuit which is continually topped up by wages and welfare. Thus, the FIRE sector keeps lifting its level absolutely and differentially by Q.E. and corporate welfare but also by drawing surpluses out of the consumer circuit.

The semi-quarantine of finance circuits from consumer circuits, plus intentional wage suppression and the fortuitous hedonic gains and costs savings from technology, permit basic consumer inflation, for goods below luxury standard, to be kept relatively low, keeping bread and circuses within the reach of ordinary consumers.

Meanwhile, the finance circuits are free to absorb money printing and Q.E. and to inflate asset prices. Reasoning to extremes, this process can continue until all assets are priced out of the reach of the poor, working and even middle classes although they could still afford bread (subsistence) and some access to the diversions, entertainments and circuses of modern life. We would see eventually no ownership of assets by any class below the genuinely rich, maybe the 10% and eventually an extreme of the 1% or less.

Differentially, to the rich, if assets double in price, but their accumulation of numéraire denominated wealth quadruples then they become twice as well off as before but the non-rich will become poorer, losing all asset wealth over time as all ownership transfers to the rich. The poor and even “middle class” in this system will eventually be required to rent and lease everything except immediate consumables like food and maybe clothing which they would still buy and own. This is where I see the current system heading if it operates substantially unchanged and there are no major revolutions or wars.

o [J. Nitzan](#)

February 6, 2021 at 9:38 pm

[Reply](#)

To Ikonoclast:

1. Your note is pitched mostly at the aggregate, ‘class’ level: it focuses on the relationship between firms (especially FIRE) and the underlying population (mostly workers). By contrast, our post here deals only with corporations: we compare different measures of corporate size as proxies of relative corporate power.

2. In your note, you seem to deal mostly with asset prices. Asset prices are influenced by monetary policy, primarily through this policy’s impact on the normal rate of return and investors’ hype. Now, since monetary policy does not have this direct effect on wages, the impression is that the asset-price-to-wage ratio can rise indefinitely. But this increase is bounded, at least over the longer haul: asset prices represent the capitalization of future earnings, and monetary policy is far less able to affect future profit than current hype and the normal rate of return (on the bounded pattern of the U.S. ratio of equity prices to wages, see Figure 5 in our 2016 paper ‘A CasP Model of the Stock Market <http://bnarchives.yorku.ca/494/>)

3. Looking specifically at the distribution of profit among firms by asset size, we find that, since the 1950s, this distribution was affected mostly by (i) mergers and acquisitions that made the profit of larger corporations grow bigger and bigger; and (ii) by the growth of small firms that kept the rest of the corporate sector highly fractured. The role of monetary policy in this process was probably limited.

- Ikonoclast
February 7, 2021 at 9:04 pm

J. Nitzan,

You have said and written that power is relative. Capital as power (as a concept) contains, or should contain in my view, both the idea of corporate relativities and the idea of corporate to individual human relativities, be those people workers, unemployed or some other class. We must ask how does this corporate-financial process affect people and the biosphere? Surely this is the final point of the analysis?

The CasP analysis of corporations is useful. It exposes an aspect of the corporate-finance dynamic not fully analyzed by other traditions (although the Monthly Review Marxists do deal extensively with increasing corporate monopolization). However, without bringing this CasP analysis back to what it means for humans and the natural environment it would remain merely academic.

I am not sure whether you don't want the analysis of this specific post extended to class analysis or whether you don't want CasP theory in total extended to class analysis.

The innovation of Q.E. or at least its scale has (further) blurred the line between fiscal and monetary policy. Your analysis is historical. I am not sure it deals with this new innovation or scale change adequately. Q.E. on a large scale amounts to more free money (via zero real interest rates) to corporations. Doling out free money is essentially a fiscal operation: another form of corporate welfare. In my view this is accelerating the process you analyze.

You state "the impression is that the asset-price-to-wage ratio can rise indefinitely. But this increase is bounded, at least over the longer haul: asset prices represent the capitalization of future earnings, and monetary policy is far less able to affect future profit than current hype and the normal rate of return..." Certainly, the process is bounded but extensive damage is done to workers etc. life chances before the bounds are reached. Again, this is the point.

It is certainly possible that by this process workers etc. will lose all assets over an historical period going forward and become renters and leasers of everything they need except food and other short-term consumables.

The need for corporate profit, as profit in the traditional sense, can be postponed, if not indefinitely, then for a very long time, by the very expedient of endless interest free money in real terms. This new process is central to financial capitalism after the "great recession". I may be misunderstanding matters but it seems to me you have not paid enough attention to this development.

- [J. Nitzan](#)
February 7, 2021 at 10:05 pm

Ikonoclast (February 7, 2021 at 9:04 pm):

To clear the water, my note was neither a critique of yours nor a suggestion as to what should or should not be analyzed – by either CasP or other approaches. You are completely correct

that one should examine all facets of distribution. I think that's self evident, certainly from a CasP perspective. If I gave the opposite impression, that was entirely inadvertent.

The purpose of my note was simply to clarify the differences between the relatively narrow claims we made in our post and the much broader claims you made in yours.

I agree that QE is a lever of massive redistribution. But I think this redistribution occurs mostly between those who own financial assets (capitalists) and those who don't (the rest). Most of the effect of QE is on overall asset prices. And if that is indeed the case, it has relatively little impact on the underlying differential performance of firms, as well as on the distribution of income between firms and employees.

With this in mind, I think that as QE continues to inflate asset prices without doing the same for corporate profit, it merely amplifies the size of the inevitable crash. Of course, this claim is anything but original. Any astute financial analyst with minimal knowledge of financial history is likely to say the same (or to say the same in hindsight....)

- Ikonoclast
February 8, 2021 at 1:49 am

J. Nitzan,

Thanks, I understand better now. Certainly, my claims were broad, maybe too broad.

- [davetaylor1](#)
February 8, 2021 at 5:13 pm
[Reply](#)

I'm a bit late into this, having been unwell, but I'm appreciating both sides of the discussion. It seems I differ from Jonathan mainly on the use of the word 'power', which doesn't work with a Newtonian 'mechanical' framework theory (I once mentioned discovering Harro Maas' thesis on "Mechanical Reasoning: William Stanley Jevons and the Making of Modern Economics"), but does work as "Remote Control of Power" with a Shannon 'information' framework theory. In other words I'm arguing that what to Jonathan looks like 'power', to me looks like control of our own power, so the issue is whether the PID control theory is applied to government controlling us, or us controlling ourselves in our inter-relations with other people (i.e. becoming able to contain our own desires sufficiently to "give way to others at cross roads").

Anyway, what excited me about Ikonoclast's contribution was him picking up on my quote from Yaroufakis, so that for the first time a nucleus of agreement has formed round the starting point of my physical discussion: that electromagnetic energy (e.g. radio waves) traverse incredible distances in reaching us from outer space, whereas matter is localised.

Physicists have been expending incredible amounts of effort and resources smashing matter trying to get Einsteinian energy out of it, not thinking how the energy got into it in the first place; which is obvious once you see it. Its localisation is achieved simply by circulation of its energy: photons sticking to their own tail and circulating in orbit round themselves.

(This is something I DIDN'T get from G K Chesterton: in fact in 1908 (pre-Einstein) he was still ridiculing a suggestion it in Eastern religions. Yet Euclid had proved that three points define a circle, and from its earliest days Christianity has taught a Trinity not pulling the strings but communicating its love to us through a Word. That the same water can at different energy levels be at one time a gas (steam), another liquid and another solid ice makes it indisputable that One can be a system of Three. To evolve one needs a "minimally complex" System of Four, as in hydrogen becoming ionised so it has the possibility of forming helium. What I did first learn from Chesterton was the brain having four "parts" in the sense of different functions, which I recognised as like the operating

system, input/output, active memory and archival memory in computers using the electric circuit logic discovered by Shannon)..

With this clear in my own mind, however, I have been able to resolve issues in physics which troubled me since I first worked with physicists, and with Shannon's information theory explaining how light is detectable but black holes are not, how evolution works and what can be known about it, and ultimately what we can know about economics and what Aristotle called chrematism and William Cobbett a cancer: growing fat as it killed the economy.

If I might disagree with Jonathan on one thing: it is that the limit is not running out of real things to price, it is running out of digits to express the prices in; which would take us into another of my arguments about the significance of the arabic 'algorithm' as a system of numbering. This is reflected in a problem with his Figure 2, which doesn't "show" what he demonstrates with his equation 1: "And here lies the problem: over time, these two ratios – the size ratio (s/S) and the number ratio (n/N) – trend in opposite directions". It is not that Figure 2 doesn't SAY this, but the graphs look to be trending in the same direction and one gets to the truth only if one notices and understands the significance of the logarithmic scales.

- [davetaylor1](#)

February 8, 2021 at 6:01 pm

Apologies for another typo and a need for clarification.

First the typo. G K Chesterton was "ridiculing a suggestion OF it" (i.e. circulation). The quotation (from "Orthodoxy chapter 2) is interesting. "It is amusing to notice that many of the moderns, whether sceptics or mystics, have taken as their sign a certain eastern symbol, which is the very symbol of this ultimate nullity. When they wish to represent eternity, they represent it by a serpent with its tail in his mouth. There is a startling sarcasm in that image of a very unsatisfactory meal. The eternity of the material fatalists, the eternity of the eastern pessimists, the eternity of the supercilious theosophists and higher scientists of today is, indeed, very well represented by a serpent eating his tail, a degraded animal who destroys even himself". I think he was missing the point that we need to account for stability as well as change, but it was a nice fart in the face of the many money-making chrematists proclaiming economic equilibrium as the science of humanitarian progress.

A little later, " What I did first learn from Chesterton was OUR HUMAN BRAINS having four parts". (Unlike non-talking animals which only have three and evolve only in the sense of becoming adapted to different conditions).

- [J. Nitzan](#)

February 8, 2021 at 6:13 pm

To Dave Taylor (February 8, 2021 at 5:13 pm):

Thank you for the note, which, I must admit, flew over my head for the most part. But that is mostly because of my own ignorance.

1. I don't understand what you meant by 'running out of digits to express prices in'. Could you explain?

2. Regarding the last paragraph about (s/S) and (n/N). No, we don't show the number ratio (n/N) in our charts. But it does trend down, big time. Over the entire period, the downtrend of (n/N) *nearly* balances the uptrend of (s/S). This *near* balancing is why aggregate concentration rises only mildly while the size ratio grows exponentially.

- [davetaylor1](#)

February 8, 2021 at 7:13 pm

Jonathan, it took me about twenty years to understand Chesterton, but I have always (since infancy, apparently) taken “not knowing” as a challenge. My “after twenty years ago” was more than forty years ago, but by now it may be too late to wait for rather than seek that understanding. By 2040, climate change due to capitalism may have become irreversible.

The digits joke was about having to represent facts if you are going to share them, and those you are talking to needing to understand your language. As a matter of fact most people learn from the example of those close to them, and while ready to accept the language of broadcast messages, are already boggling at the difference between millions and billions, never mind trillions.

My comment about your graphs was aimed at the same issue: how people with different personalities and training actually perceive what we show them, and the practical need for what Kenneth Boulding called “iconic” language, in which the concept is manifest in the form. The snake eating its own tail?

- [J. Nitzan](#)

February 8, 2021 at 9:18 pm

To Dave Taylor (February 8, 2021 at 7:13 pm):

In his future history of humanity, ‘Last and First Men’, Olaf Stapledon identified misunderstanding as one of the built-in curses of humanity.

Fred Hyole’s ‘The Back Cloud’ tries to unzip the logical underpinnings of misunderstanding in relationship to different forms of language — in his case, through the interaction between humans and aliens.

In his riveting analysis of Anne Sullivan’s education of Helen Keller, David Bohm traces this issue to the original creation of categories — but no categories, no matter how rigorous, he argues, can escape the need for interpretation, and the need for interpretation means that the potential for misunderstanding cannot be easily eliminated, if at all.

Beyond these fancy analyses, though, the chief reason for misunderstanding, I think, is the simple psychological unwillingness of most people to transcend their own biases.

I don’t think I’ve ever managed to open the mind of anyone who didn’t want to open it in the first place. By contrast, those who wanted to open their mind found most of what we had to say clear enough to understand.

I hope this short note won’t be grossly misunderstood.

- Craig

February 9, 2021 at 5:13 am

Jonathon: Yes, ironically the human mind is both the easiest and most difficult thing to change in the entire cosmos.

At least one of the secrets to increasing the odds of eliminating the curse of irrational orthodoxy is to attempt to get the individual to consider that there may be particles of truth in their own and the other’s viewpoint AND that integrating those truths may create a thirdness greater oneness of truths that proves them both right. That is the very integrative process of wisdom and the garnering of same.

- [davetaylor1](#)
February 9, 2021 at 10:10 am

Jonathan, your admirably to the point note is at least not grossly misunderstood, but at one point – your talk of categories – is resisted. The point of the Chesterton/Jung insight and Myers-Briggs research is that categorisation is already an interpretation. The fact that people tend to use one part of their brain in preference to the others doesn't mean that they have to, and in different moods their normal personality type may well slip into another similar in most respects, in which condition they may notice or understand what had escaped them before. There is would be no point in communicating with anyone were this not the case. My point (and I think Ike in his critique of yours), is that with environmental disaster seemingly inevitable if we don't pull together to avert it, we have simply GOT to find ways to communicate with those who don't wish to know. What I see as the best option is to change the financial rules (from debt to credit based) so they can do what they really want to, as that normally involves doing what in their own circumstances needs to be done.

- [J. Nitzan](#)
February 9, 2021 at 1:29 pm

To Dave Taylor (February 9, 2021 at 10:10 am):

1. Yes, I agree, categories involve interpretations, but they are also the basis for communication — so when I say 'table' or 'perfect competition' you know what I mean, though always approximately and never with certainty.
2. Shimshon and I have tried to communicate with those who don't wish to know, or even to change their mind, for over forty years. Our failure suggests either that we simply don't know how to do it, or that there is a 'missing variable' here that makes communication nearly impossible. I suspect it is the latter, and I think that this missing variable is power: the power of the rulers to impose their ideology on the ruled.

- [davetaylor1](#)
February 10, 2021 at 9:28 am

We are very close to agreement on the real world problem being "the power of the rulers to impose their ideology on the ruled", but the "missing variable" is surely in the model, and given the proportion of "black and white" thinkers, almost the very notion of "variability" itself. Rulers imposed their ideology on the ruled long before Capitalism enabled them to do it so efficiently; what also isn't varying is their ability to do so with impunity.

At one moment I saw you saying "That's the way things are; tough!" but now I see you saying that with regret. I've been trying to suggest that Capitalism is not the real-world economy but a non-economic (monetary) control system which works not by imposing power directly but by sending messages about prices, the technical models of such control systems containing not just one control variable but three.

Your raising the notion of a "missing variable" takes me back to the information science that followed the control engineering phase in my work. Our computer language Algol68 differed from its predecessor Algol 60 and other languages of the time, precisely by making not just the data but the TYPE of data variable, without which complicated tasks (like automating the computer's own control system) had been something like trying to construct and put together a jig-saw. With it, the task simplified to something nearer the systematic construction of the arabic representation of a number, after whose inventor (Al Khorismi, hence algorithm) the language was named.

I started as just “the apprentice” in a group using Algol68 to try out data base architectures (as against numerical computing). I ended up running it, with difficulty in teaching newcomers to think in terms of variable uses rather than specific aims just one of the reasons I got involved with personality differences. Sadly, the same “black and white” thinking prevailed in the markets for programming languages and operating systems, so the problem resolved in Algol68 (following Chomsky on how similar children learn different native languages as they grow up) has largely been forgotten.

Let me end this by wishing you and Shimson well, but suggesting you think about how power is communicated in the economy. As usual I find one of my own lines of thought summarised in an aphorism from Chesterton’s “Orthodoxy”: this time discussing “The Eternal Revolution” in politics. “We are not altering the real to suit the ideal. We are altering the ideal: it is easier”. We are no longer taught to love our wives. We are taught that women are not being treated as men, that sex is for fun, and that marriage can be between men, so the meaning of the word “marriage” has been changed and our children lose sight of the key ideals: of their responsibility for the procreation and education of their children, and our economic responsibility of providing for their household management.

2. David Richardson

February 6, 2021 at 6:57 am

[Reply](#)

With a few reasonable assumptions the power differential will be a function of the size of the economy. for example, assume the average size of companies is kept down by a tendency for business to incorporate at or just above the size of the mom and pop corner store. But the top companies in particular industries are likely to grow with the size of the economy. in first world economies there are a handful of dominant companies in the finance sector, energy, retail etc. In most industries the big American company is much bigger than the equivalent in other countries.

If this is right then there is a natural tendency for the power differential to grow over time and to be much worse in larger economies. Casual observation suggests that might be the case but is there any independent evidence?

o [J. Nitzan](#)

February 6, 2021 at 5:10 pm

[Reply](#)

To David Richardson (February 6, 2021 at 6:57 am):

In brackets are the raw number in current \$US billion for 1950 and 2018, respectively, followed the total period growth in decimal:

Top 500 corporations, profit per firm: (0.0168, 2.2938, 135.5)

Total U.S. profit: (26.053, 1938.584, 73.4)

Total U.S. GDP: (299.83, 20611.86, 67.7)

Based on these numbers, the profit per firm of the top 500 grew twice as fast as U.S. GDP (=135.5/67.7) and nearly twice as fast overall profit (=135.5/73.4).

In other words, roughly half of the growth of U.S. dominant capital comes not from ‘greenfield’ expansion but from mergers & acquisitions.

3. David Richardson

February 6, 2021 at 10:28 pm

[Reply](#)

yes it is more than just growth in the economy, and M&As also look a lot bigger now in the US than in other countries or compared with its history.

4. Ikonoclast

February 11, 2021 at 1:06 am

[Reply](#)

I refer to this comment by Jonathan Nitzan:

“Shimshon and I have tried to communicate with those who don’t wish to know, or even to change their mind, for over forty years. Our failure suggests either that we simply don’t know how to do it, or that there is a ‘missing variable’ here that makes communication nearly impossible. I suspect it is the latter, and I think that this missing variable is power: the power of the rulers to impose their ideology on the ruled.” – J. Nitzan.

I’d like to comment on this. It will take me a little time to reach my point so bear with me if you can. In addition these are my interpretations of CasP theory and an attempt to relate it back to a justifiable empirical ontology. If I go awry here the fault is entirely mine.

Ulf Martin gives a good definition of (socioeconomic) power in his essay, “The Autocatalytic Sprawl of Pseudorational Mastery”. First, Martin refers to the power of capital as a “mode of power”, not as power simpliciter. The clear implication is that societies and socioeconomies have modes of power (plural) in their makeup. Capital is one mode of power, albeit a very important one. Martin then essentially says (and please note I have interpolated and bracketed my explanatory addition to his text):

“Capital is (a particular socioeconomic mode of) power quantified in monetary terms.”

In the process of situating the term “power” in the widest possible context, including by implication the context of physical power, Martin states his intention:

“In the following, we try to develop a concept of (human) power as the ability of persons to create particular formations against resistance.”

This makes the definition as wide as possible. My (rather poor) ability to manually dig post holes with appropriate tools is included in this definition. Clearly, my ability to dig post holes is an “ability to create a particular formation against resistance”. My ability to pay for data cabling in my house is also an “ability to create a particular formation against resistance” but in this second case I use money (minor amounts of capital) to pay a data cabler to do the work. I would not have that ability if I was completely impoverished.

It is crucially important, from the ontological and sociological perspectives, to have a definition of power which successfully runs the gamut or spectrum from the physical to the social. Otherwise, in ontological or sociological discussion we will be advancing mere “arguments from metaphor or metonymy”.

In a response to the question “What is truth?,” Nietzsche writes a short critique of much philosophy and ideology, characterizing it as;

“A mobile army of metaphors, metonymies, anthropomorphisms, in short a sum of human relations which have been subjected to poetic and rhetorical intensification, translation, and decoration, and which, after they have been in use for a long time, strike a people as firmly established, canonical, and binding; truths are illusions of which we have forgotten that they are illusions...” – Friedrich Nietzsche.

Nietzsche is here referring to social, religious and ideological “truths”.

“Capital as Power”, as a theory, successfully identifies capital (in its entire dynamic suite of ideational and socioeconomic operations) as a mode of power and one important mode of power in society. That this is not a mere metaphor or metonym, but rather is ontologically grounded in the physically real is embodied forth in the definition of (human) power as the ability of persons to create particular formations against resistance (with human or machine power with various tools as connectors and levers). Nevertheless, there are still qualitative differences in these forms of power and their measures. This gets into a difficult arena which I have not adequately analyzed to my own ontological satisfaction. The category detail of “commensurability mapping”, if I may term it that, is still somewhat different in each case. This gets us into a difficult arena where we must admit (or I must admit) that emergent system behaviors always seem to compel us to make maybe not leaps, but still hopping half-steps of analysis, wherein we recognize that we have not fully escaped some use of the metaphor/metonym crutch in passing from analysis of physical systems to analysis of sociopolitical systems which are an amalgam of real systems and formal systems. There is still an explanatory gap which gives us empirical and ontological difficulty.

This area of difficulty is perhaps best outlined as below:

“Understanding emergence along the lines of self-organization has become so ubiquitous the two terms have just about become synonymous. However, the usual connotations of self-organization result in a misleading account of emergence by downplaying the radical novelty characterizing emergent phenomena. It is this radical novelty which generates the necessary explanatory gap between the antecedent, lower level properties of emergent substrates and the consequent, higher level properties of emergent phenomena. Without this explanatory gap, emergent phenomena are not unpredictable, are not non-deducible, are not irreducible, and thus are not truly emergent. For emergent phenomena to be genuinely emergent, processes of emergence must accomplish the seemingly paradoxical feat of producing an explanatory gap while simultaneously maintaining some degree of continuity with the substrate level.” – Professor Jeffrey A. Goldstein.

All of this is a long-winded detour and I now need to get back to Nitzan’s admission of powerlessness in one sense or in one arena. This is not powerlessness of intellect or analytical insight or even powerless in academia. [1] It is an admission of the powerlessness of academic analysis in general (even when justified with empirical truth warrants and valid ensuing inductions and deductions) to create new conceptual formations in the heads of the indoctrinated masses, to thence compete with or annul the “mobile army of metaphors, metonymies, anthropomorphisms, in short a sum of human relations which have been subjected to poetic and rhetorical intensification, translation, and decoration, and which, after they have been in use for a long time, strike a people as firmly established, canonical, and binding; truths (as) illusions ... which we have forgotten ... are illusions..” (as identified by Nietzsche).

This illustrates why we need praxis as well as theory. Without revolutionary practice from street demonstrations, to strikes, revolutions, and even subversive critiques of the existing power system carried by and delivered by the arts with their different kind of persuasive powers, we can make no headway against the massive propaganda apparatus used by capitalists, corporatists and oligarchs to instill ideology in heads.

Note 1. If you want to see genuine political and academic powerlessness and isolation consider a person like me. ;)

- [J. Nitzan](#)
February 11, 2021 at 2:11 am
[Reply](#)

Thank you Ikonoclast (February 11, 2021 at 1:06 am).

Here is a 2018 article we wrote about “Theory and Praxis, Theory and Practice, Practical Theory”
<http://bnarchives.yorku.ca/539/>.

- Ikonoclast
February 11, 2021 at 6:53 am

That's a complex and interesting paper; difficult to critique in short so I will limit myself to a observations on one topic here.

The Western masses (for want of a better term) were bought off by an accommodation with capitalism. I include myself in this and I think I was and am quite typical in that regard as one of the baby boomer generation (born in 1954).

Spare capital was available to buy us off by virtue of the legacy capital of the super-profits of colonialism and imperialism and then by virtue of mechanization, automation and finally neoliberal financialized neoimperialism for want of a better term. Privileged Western workers in manual, machinery operating, clerical, technical and line management occupations (I progressed through all of those in my working life) became essentially a "labor aristocracy" as a standard and accurate Marxist term. My laboring conditions in the 1970s in Australia were basic (especially in occupational health and safety conditions) but I was still privileged, even highly privileged compared to third world laborers on a dollar a day or less in those days.

We were all bought off and suborned into the system: workers, managers, functionaries and even academics and politicians. The process seemed so naturally a function of Progress with a capital P that we did not see the heavy oppressions and exploitations that were removed from us in time and space: historical primitive accumulation or modern exploitation often on other continents. These distant exploited masses become mere background "local color" for the Western tourist in foreign lands. Eventually even the Western machinery driver, clerk or petite bourgeois self-employed person could afford such trips and also keep up the mortgage payments on the house back home.

My generation were bought off. We allowed and conspired with the this process of being bought off. It's very difficult to fight the paths and the logic of the system. It's uncomfortable and even career limiting. It's a difficult choice to fight the system when your wage or salary depends on complying with and extending the system.

There is however, a change happening. The experience of the children and grandchildren of the baby boomers is already becoming very different. The globalization of capital and the phenomenon of global labor arbitrage have commenced the process of abolishing (for want of a better term) the class of labor aristocracy. Vestiges remain as a tech aristocracy for example but the numbers are much reduced.

A new mass class is being produced and internationalized. It may be going too far yet to call it a global proletariat. Many more of these people will be unemployed, underemployed, working poor and so on, rather than any type of Keynesian "golden era", labor aristocracy workers. Mechanization and automation are abolishing a large proportion of work for humans. As Marx predicted in the Grundrisse "fragment on machines", mechanization and automation with the use of attendant non-biological power sources, progressively and dialectically abolishes any remaining claims for the labor theory of value, whether or not it was historically valid or partly valid at one time. I keep alluding to this as I think it is a key point and illustrates that Marx was less materially deterministic and more "complex system emergentist" in his thinking than he is given credit for, even by, or rather especially by, the dogmatic Marxists as dialectical materialists in the old school mechanistic and deterministic tradition.

In this way, a fundamental internal contradiction of capital is still being played out and simply has not reached its apotheosis yet. The culmination of this process will be to replace the

owner – worker dichotomy simply with the owner-non-owner dichotomy. Released from work and “labor aristocracy” consumption consolations, this new mass class will have no arc except birth, copulation and death and no other recreation or work except criminality or revolution.

At least, that is one path of development which now seems reasonable to predict. Reasoning to extremes, if nobody or very few need to work then ownership will be the only source of income. Grant ownership rights to all (in some form) or face the mother of all mass revolutions (given humans now number in the billions). This would seem to be one future possibility as socialism. The reactionary alternative is to use machines to create many many more unemployed and then deploy both wars and specialized security machines (drones) to slaughter superfluous millions and eventually billions en masse. When the rich and the beautiful only need machines and a few of each other, what value has the rest of humanity to them? These now look like the forms that future socialism or barbarism could take.

5. Ikonoclast

February 11, 2021 at 10:47 pm

[Reply](#)

Some more thoughts on “Theory and Praxis, Theory and Practice, Practical Theory” by Corentin Debailleul, Shimshon Bichler and Jonathan Nitzan.

1. We can’t ignore the enormous amount of violence, exploitation and expropriation used to secure the interests of capitalists. In saying this, I am not saying Nitzan et. al. are ignoring it. I am simply highlighting it as an essential feature and support of capitalism. Noam Chomsky in his many works has often highlighted the violence of capitalism. Examples run from the United Fruit Company to the whole of South America. Chomsky’s surveys run wider too. Any objective history of the rise of British capitalism will note the many thefts and murders of the British imperial system. The British journalist Johann Hari in The Independent, 2006 wrote that Britain possibly killed up to 29 million Indians in the late nineteenth century alone. The above is just a tiny potted history of violence in the service of capitalism.

The theory of capitalism from capitalism’s ideologues makes little to no mention of its reliance on violence but an appeal to history shows a massive litany of violence. Three continents of the world, North America, South America and Australia, were stolen entirely from murdered and displaced native peoples by proto-capitalist and capitalist violence. Overall, this suggests that capitalism will never lie down and concede any fight: not while it has the capacity to resort to violence. In turn, this suggests there can never be a peaceful revolution against capitalism. The reactionary owners of capital will never permit it. On the historical record and using the heuristic “past behavior is the best guide to future behavior” we can assume to a high degree of probability that violence always will be the reaction to any attempts to seriously retrench capitalism.

All this suggests that revolutionary violence may be inescapable as a part of serious anti-capitalist praxis. This could mean either the use of violence or the acceptance for an unavoidable interim of being the target of violence in the processes of peaceful non-cooperation as put forward by earlier thinkers and activists like Leo Tolstoy and Mahatma Gandhiji.

2. The history of the neoliberal reaction to Keynesian and welfarist economics demonstrated finally and conclusively that Capitalism cannot be reformed. This conclusion is validated by a consideration of Thomas Piketty’s work which shows that inequality under capitalism has only declined during (ultimately) temporary reforms after crises and wars. Under all conditions broadly covered by the phrase, “capitalist business as usual”, inequality has increased. Attempts to reform capitalism founder over and over to capitalist reaction under capitalist domination. As the historical and current “axioms of capital” [1] lead to ever-increasing capital concentration (oligopoly and monopoly) and as the power that this concentration of capital confers on the owners and managers of capital is overwhelming, then reform within the system is essentially doomed. History teaches us this lesson over and over.

Whilst I am not against reforms and reforms can ameliorate conditions for the poor, even for decades, the final outcome is always a rolling back of reforms and an intensification of capitalism. This has been the record of capitalism thus far.

Capitalism must be entirely overthrown by human action and agency (if this is possible). Otherwise, capitalism will still be overthrown but by its external contradictions with nature. Capitalism depends on nature (the biosphere and ecosphere) but operates to destroy it and has proven thus far incapable of operating in any other way. The system is the pathology. The entire system of capitalism needs to be removed from society and civilization. If the path is not revolutionary it must be endless reform with the clear intent of reforming capitalism out of existence. Otherwise, we must let nature at large abolish capitalism in a process that will be orders of magnitude worse than revolution or reform-to-abolition.

Note 1: Capitalism has rules, not fundamental laws, as I keep arguing. Where the rules are founding precepts and these founding precepts are applied and calculated out (with all the symbolic rituals of capital and capitalization) algorithmically, then the result is an axiomatic system with algorithmically determined outcomes ON the formal side (which last phrase needs emphasis). The formal side is the nomological side where the nomos is strictly defined as that which is not the physis addressed by the hard sciences which uncover reliable fundamental laws. On the physis side, the natural world, including humans as natural physical beings, will not conform or will not conform indefinitely to the axioms of capital (like endless growth) or the algorithmic outcomes such as those uncovered by Piketty, namely the continuous increase of inequality except for the reform periods following crises and wars.

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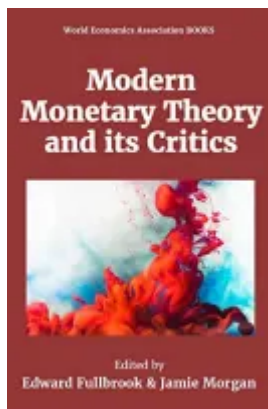
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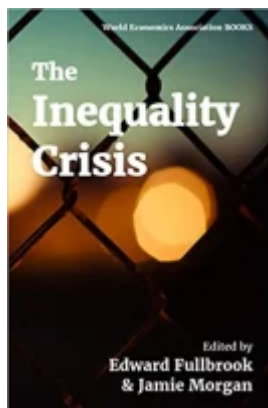
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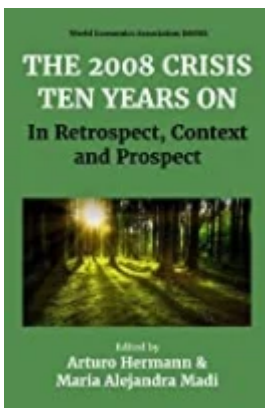
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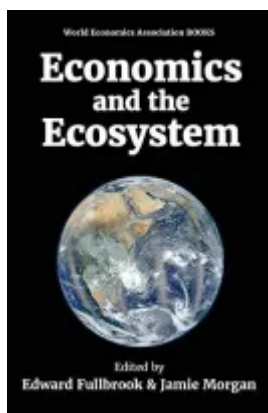
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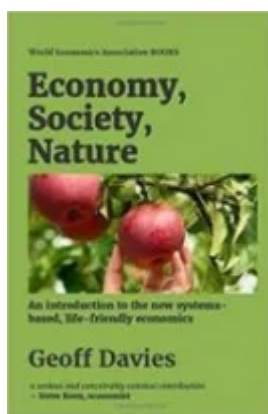
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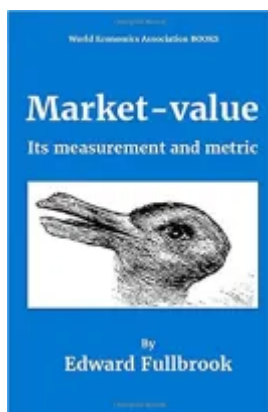
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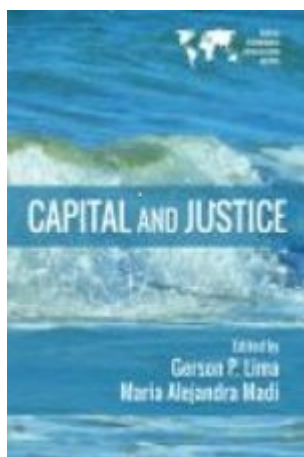
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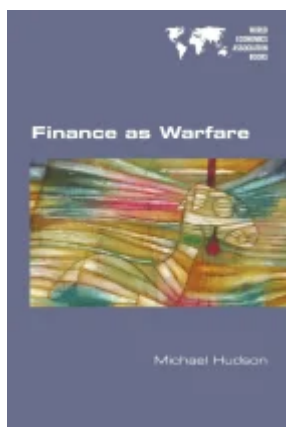
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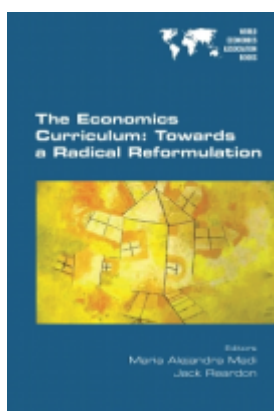
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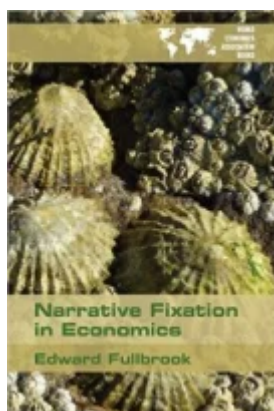
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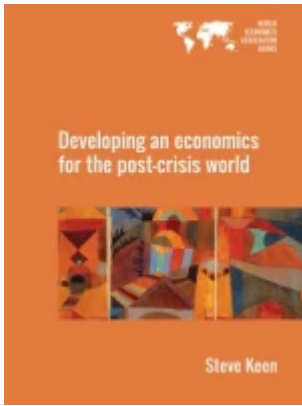
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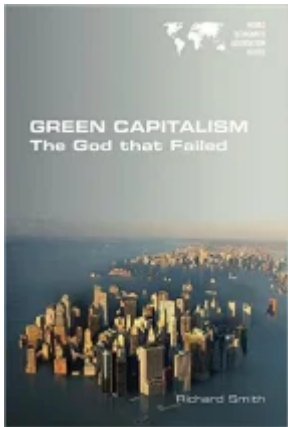
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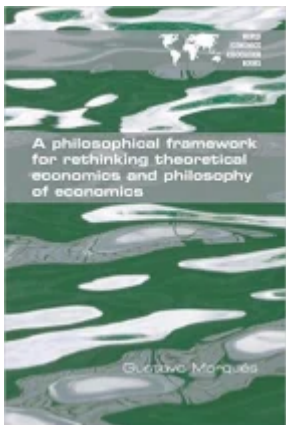
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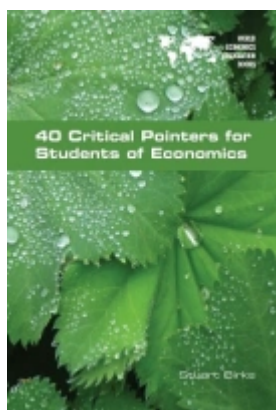
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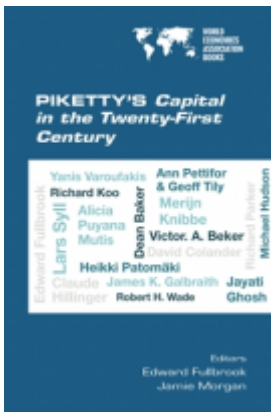
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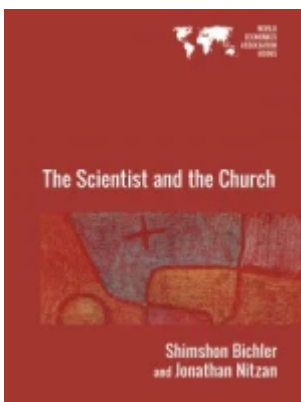
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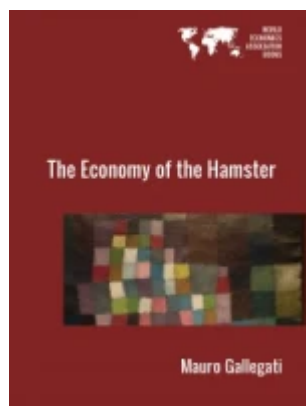
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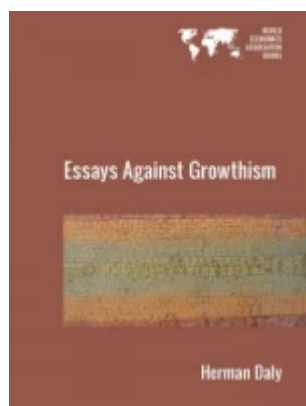
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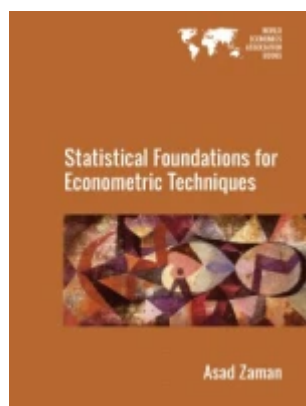
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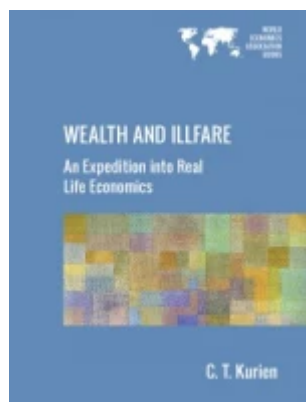
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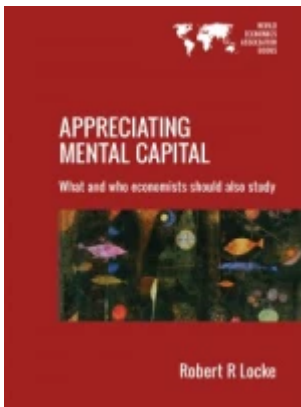


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