

C. B. MACPHERSON, *The Rise and Fall of Economic Justice and Other Papers*. New York: Oxford Univ. Press, 1985. 154 pp, no index. \$19.95.

This collection of 12 papers by the famous Marxian political theorist C. B. Macpherson constitutes a clear and concise restatement of his influential critique of "possessive individualism." The book provides a careful, scholarly account of some of the central issues of political philosophy from a democratic Marxian perspective. It is primarily concerned to advance a notion of economic justice which demands a greater democratic control over our political institutions in combination with a greater penetration of these democratic institutions into the economy. As such it represents, at least obliquely, a contribution to comparative economic systems, in that it argues that the system of capitalism is inherently incompatible with economic justice and must be transcended. Unfortunately, like so many contributions to Marxian scholarship, it is frustratingly vague about exactly what capitalism ought to be replaced with and how.

Since his *Political Theory of Possessive Individualism* was published in the early sixties, Macpherson has been joined by a wide variety of Marxian as well as non-Marxian critics of the narrow "model of market man," the narrowly self-interested, wealth maximizing agent who is thought to underlie economics since Adam Smith. Macpherson charges that the economists' models of atomistic agents are fundamentally inadequate in that they fail to account for the intrinsically social nature of humanity. The economist treats man as a selfish maximizer of his own utility and treats social order as strictly the unintended consequence under conditions of perfect competition of such purely self-motivated action. "Modern economics," he says, "has turned . . . to treating people as undifferentiated demanders of utilities" and as "disembodied persons who appear only as the holders of demand schedules."

Macpherson's critique of this narrow maximizing view of choice and of the theory of perfect competition contains an element of truth. Human choice, as post-Keynesian, Austrian, Institutional, Shackle, and Marxist economists have argued, is more than the mechanical, purely self-interested, passively reacting agent depicted in many formal neoclassical models. There is also imagination, surprise, initiative, the constraints of culture, habit, and tradition, and so on. What is most questionable about Macpherson's whole line of argument is not his rejection of this narrow conception of choice but his assumption that with it also must go many of the basic principles of

economics many of us still teach our undergraduates. Two such principles which he mistakenly assumes are based on possessive individualism are the “invisible-hand” idea that much of the order we find in capitalist economies is an unintentionally beneficial consequence of primarily self-motivated actions, and the idea of decisions as “trade-offs.”

The possessive-individualist model of man is incapable of providing a true theory of “economic justice,” Macpherson argues, because leaving the economy to the guidance of the invisible hand “puts economic relations out of the control of any purposeful human agency, and removes them from any possibility of being judged by any ethical criterion.” Thus what he dislikes about capitalism is that it is what Hayek calls a spontaneous order that is under nobody’s deliberate control.

But it is not obvious how abandoning the narrow view of man as a passive, atomistic, wealth-maximizing agent should lead us to embrace the idea of assigning to one agency deliberate control over the economy. The notion that beneficial order can arise without deliberate control does not depend on belief in the perfection of a laissez-faire economy or on all the dubious assumptions that underlie perfect competition models. One can view man as active, unselfish, and essentially social without concluding that it is either economically efficient or politically safe to equip a centralized agency with the power necessary to direct the economy. Macpherson makes a good case that his theory of economic justice is incompatible with contemporary capitalism, but he fails to show that it is capitalism rather than his theory of justice that we should learn to transcend.

Not only is the invisible-hand idea criticized for being necessarily based on the narrow, atomistic, maximizing agent, so also is the whole “trade-off” way of thinking, that is, discussing choices in terms of opportunity costs. In a particularly revealing paper entitled “Liberalism as Trade-offs” Macpherson says that “the concept of the trade-off . . . assumes that the basic element of society is the rational, maximizing, atomic individual.” He asks us to “abandon trade-off thinking” since “for a social issue to be treated as a trade-off, everyone concerned must be overlooking the possibility that a third option might be opened up.”

The trade-off is now quite generally treated as if it was in the very nature of things. . . . But it is not in the nature of things. For by definition it constricts the choice to two alternatives—so much of (a) as against so much of (b), with no room for a (c) which would obviate the need for choosing between (a) and (b). In other words, it neglects the possibility that a third option, transcending the need for the two-way choice, might be opened up. Yet that possibility is in many cases not inconceivable.

Now if option (c) is not only conceivable but considered a real possibility, then the trade-offs statement about giving up so much of (a) for so much of (b) would, of course, have to be corrected. But surely anyone who understands the idea of opportunity costs knows that what a person “trades off” against

one option is simply the next best option known to that person. Trade-offs are, of course, frequently formulated incorrectly, as Macpherson's example of the Phillips curve reminds us. But there is certainly nothing about the idea of trade-off that precludes considering "third options" and reformulating the trade-offs.

Perhaps it is understandable why Macpherson is so uncomfortable with the trade-off way of thinking. It forces him to consider unpleasant choices, such as, at the end of his trade-off essay, whether there will be a "need for some trade-off of democratic control against efficiency" in the postcapitalist economy. He has to admit that "Everything cannot be left to self-governing small communes," even though elsewhere in the book he repeatedly talks of local democratic control. He suggests, on the contrary, that "our complex modern economies . . . require a substantial measure of central direction and control . . . as long as there is some scarcity relative to the enriched human needs which we envisage."

If decentralized decisions are not coordinated anonymously by market forces but deliberately "by some criterion of distributive justice," then clearly we are talking about a centrally planned economy. A couple of questions are apt to come to the minds of researchers in comparative systems: Can central direction of an economy provide a measure of coordination deliberately that approaches that attained undeliberately by capitalism? Can an economy be centrally directed while still remaining responsive to local democratically elected councils? On these crucial issues Macpherson has nothing to offer but the statement that it is "not beyond imagination" that the bureaucrats who carry out the central direction of the economy "may be instructed by and held responsible to democratically elected councils at all the requisite levels from local to national."

This cannot be a sufficient answer. That a system is not unimaginable does not justify the radical "transcendence of capitalism" in favor not of a Soviet-style planned economy but of "democratic planning." This system is described as a form of participatory democracy that is "quite unlike the present liberal-democratic systems." Marxism has for a long time been avoiding the questions its critics raise about the plausibility of socialist forms of political and economic organization. It continues to direct its attention almost exclusively to a critique of the past and present forms of capitalism from the standpoint of an imaginable postcapitalist future. The standpoint, however, upon which its radical rejection of capitalism depends might be nothing more than imaginable. It does seem as though the study of comparative systems has something to contribute to the Marxian political philosophers' debates about economic justice.

DON LAVOIE

*George Mason University
Fairfax, Virginia 22030*