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· REVIEWS ·

Contemporary American Economic Thought

By M. BRONFENBRENNER

"All of them are learned; some are almost readable." R. H. Tawney, *Religion and the Rise of Capitalism.*

Introduction

THE POSTWAR PERIOD has been one of intense activity in American economic thinking as scholars and research men have returned to their profession enlivened by interludes of government work, foreign travel, or military service. This activity has not been concentrated in any one field, and so cannot be summarized in a single essay and I propose, therefore, merely to present a few problems close to my own interests, without any profound or comprehensive criticism.[1]

I

Economics as a Logical Structure

AMERICA'S MAIN CONTRIBUTION to the basic architecture of economic thought, viewed as a logical structure, has been Paul A. Samuelson's *Foundations of Economic Analysis.* Largely written before the war, its publication was delayed by hostilities. It represents America's main overall theoretical contribution since John Bates Clark was writing at the beginning of this century. It represents in economics what "logical positivism" represents in philosophy, an attempt to reduce economics as far as possible to a scientific study limited to verifiable propositions regarding observable variables. Not only this, but Samuelson has tried to derive mathematically not only the great bulk of received economic doc-

[1] In addition (or perhaps prior) to attempting most of the reading mentioned in the text, the student would do well to look at the following works, most of them more elementary than the volumes cited.

The American Economic Association has published a *Survey of Contemporary Economics,* stressing American and English works, as well as several volumes of *Readings* in the fields of (a) *Social Control of Industry;* (b) *Business Cycle Theory;* (c) *Theory of Income Distribution;* (d) *Theory of International Trade;* (e) *Agricultural Policy.*

Three leading American university textbooks including recent economic thought are Kenneth Boulding, *Economic Analysis,* Paul A. Samuelson, *Economics,* and George J. Stigler, *Theory of Price.*

Alvin H. Hansen, *Fiscal Policy and Business Cycles* and *Monetary Theory and Fiscal Policy,* Seymour Harris (ed.), *The New Economics,* and Oscar Lange, *Price Flexibility and Employment,* are representative of the dominant Keynesian strain of thought in America.

trine, but numerous original conclusions and corrections as well, from a relatively few propositions regarding such observable variables. The book is an economic counterpart of Whitehead and Russell's *Principia Mathematica;* only modesty may have prevented Samuelson from calling it "*Principia Economica.*"

Criticism of this structure, technical slips apart, has been primarily that it omits many policy and welfare issues that are and should remain of interest to the practicing economist. To these critics, particularly Kenneth Boulding,[2] the book represents an apex or summary of the revival of abstract and mathematical economic theory which has featured the period since, roughly, 1929, beyond which further progress is unlikely except by a radically different route. The time is now ripe, says Boulding, for an antithesis to this thesis, a swing in the other direction. He expects the greatest advances of the next generation in American economics to be made in the "fuzzy borderland between sociology and economics" which has been in the past the preserve of American "institutional" economics.

And indeed the time is ripe for an institutional revival, for the second generation of American institutionalism has not lived up to its heritage or progressed materially beyond the works of John R. Commons and Thorstein Veblen. On the critical side, writers like Clarence Ayres[3] continue in the Veblen tradition, belaboring the pure-competition, full-employment economics of 1900 as though nothing had been written since. On the positive side, no real institutional system has developed—Commons' *Institutional Economics* is looked on as a magnificent failure—and institutionalism has lapsed into historical and statistical compilation, into propaganda and bill drafting in the interests of organized labor and agriculture, and into worship at the shrines of Commons, Veblen, John A. Hobson and Wesley C. Mitchell.

We cannot leave the general terrain of scope and method in American economics without reference to John von Neumann and Oscar Morgenstern's *Theory of Games and Economic Behavior.* Like Samuelson's opus, this is primarily a mathematical work of an advanced order, but it is otherwise very different. It proposes nothing less than the replacement of the present framework of theoretical and mathematical economics, based as it is on maximum and minimum conditions for the most part, by an entirely new framework based on strategy, allowing explicitly for uncertainty, and with greater scope for inter-actions between individuals. If this approach can be applied concretely (i.e., statistically), it will be able

[2] *Journal of Political Economy,* August, 1948.
[3] *Theory of Economic Progress, Divine Right of Capital,* etc.

to include within the main body of economic theory a great deal of the material formerly relegated to political scientists, sociologists, and institutional economists. It would seem a priori that the new approach should prove most useful in monopoly theory, where there is most room for strategy due to the relatively small number of participants. The main danger, of course, is of lapse into empty formalism without any real attempt at application.

II

Economics as a Predictive Science

IN THE LAST SECTION, we discussed the formulation of economic theory on the basis of variables which we might conceivably observe, whether or not we had actually observed them; the next step is to collect observations upon these variables and use them as basis for predictions and conclusions in the future. In this section, we shall consider certain attempts which are being made in the present to base predictions and conclusions on existing statistical data.

The development of such data has been extremely rapid in the United States as a result of war and postwar demands, particularly as regards the economic "aggregates," such as national income, consumption, employment, and the like. Not only the quantity but the quality of the data is constantly being improved as concepts are sharpened, estimation techniques improved, and statistical discrepancies reduced.[4] The improvements, however, have not been costless. Many a macro-economic hypothesis, promising almost to the point of acceptance under the "old" series of national income and expenditure statistics lost 5 to 10 precious points in its correlation coefficients when the U. S. Department of Commerce revised its fundamental series in 1947.

As I have just suggested, during the fifteen years which have followed the publication of Lord Keynes' *General Theory of Employment Interest and Money*, much of the work done in predictive economics in the United States (as well as in Great Britain) involved the construction of mathematical and statistical models of the Keynesian System, and the basing of predictions upon the results. This method, however, suffered a somewhat dismal setback after the close of World War II, when America Keynesians predicted a major depression in 1945–46 which is five years overdue as this is being written.[5]

[4] See in particular the *Studies in Income and Wealth*, published under the auspices of the National Bureau of Economic Research.

[5] For a bibliography, studies and explanations of the failure here, see M. Bronfenbrenner, *Southern Economic Journal*, January, 1948; also James Duesenberry, in Lloyd Metzler, et al., *Income Employment and Public Policy*.

The "model-builders" have not lost hope, and improvements along "model-building" lines are constantly being made, particularly at the Cowles Commission for Economic Research at the University of Chicago. The models being constructed presently (by Lawrence Klein and others) are far more detailed than those used in predicting the elusive depression of 1945–46. They include more variables and more observations. They also attempt detailed consideration of the aggregation problem—the extent to which the reactions between aggregates like total income and total consumption depend upon the composition of these aggregates. On the purely statistical side, they have modified the ordinary methods of least squares and now use what is known as the "simultaneous equations approach" developed in America by the Norwegian statistician Trygve Haavelmo and others.[6] This is not the place to explore the statistical intricacies of this approach, except to point out that it operates to avoid inconsistency in the direction of measurement of deviations as between the different equations of a single statistical model, and therefore to avoid statistical bias in the final result. Profiting by the experience of its wartime predecessors, the Cowles Commission has wisely postponed publication of its ambitious model until sufficient time has elapsed to test the model's forecasting as well as back-casting powers. Publication is scheduled for 1950.

Another approach to the prediction problem is being made at several U. S. Government agencies in Washington, and also at the Survey Research Center at the University of Michigan. Workers at these institutions are hoping to be able to base short-time predictions with great accuracy upon the beliefs and plans of individuals with regard to consumption, investment, etc., as revealed by their answers to detailed personal interviews. The whole "interview" approach, of course, suffered a severe shock in November 1948 by erroneous predictions of the outcome of the presidential election by the various "polls." Its economic predictions have been subjected as yet to no such dramatic refutation, but the atmosphere of skepticism has expanded to include these predictions as well.

III

Economics as a Tool for Policy

THE UNITED STATES GOVERNMENT set up in the Employment Act of 1946 a Council of Economic Advisers which in periodic reports (a minimum of two per year) informs the President and Congress of its views as to the economic health of the nation. Under the Truman Administration, how-

[6] Haavelmo's basic work is entitled *The Probability Approach in Econometrics.*

ever, the Council has come to represent a definite point of view, in this case "Left-wing" New Deal, with a strong belief that inequality in the distribution of income and wealth is the source of most of the world's economic problems.[7] Its pronouncements are not accepted generally as impartial, therefore, and there has been disharmony within the Council itself, leading in 1949 to the resignation of the chairman, Edwin G. Nourse, in protest against the Council's endorsement of deficit spending as a remedy for the recession of that year. Whatever may be the future of the Council itself, it is highly questionable whether American economics has yet progressed far enough to permit any group of economists being set up as an economic Supreme Court, either for the United States or for any country under American occupation.

Thinkers on economic policy and welfare economics in the universities and in less authoritative posts of the American civil service differ widely among themselves in their economic prescriptions. The really basic cleavage, in this writer's opinion, is between the thinkers who do and those who do not base their prescriptions upon the "optimum conditions" (production at minimum cost for maximum satisfaction, with each resource paid according to its contribution measured by marginal productivity) which are supposedly satisfied by the ideal competitive price system.

The so-called Chicago School of economic policy, whose intellectual parent is Frank H. Knight, but whose best-known publicist is Henry C. Simons, author of *Economic Policy for a Free Society,* believes these optimum conditions would, in fact, be realized quickly and painlessly in a free economy, despite the complications raised by economic progress and the possible multiplicity or instability of equilibrium conditions, if three conditions were satisfied. (1) Elimination of all seriously monopolistic restrictions on the supply of goods and labor. (2) Monetary policy devoted to maintaining a stable price level, or, alternatively, a stable level of government expenditures, without any guarantee of full employment for products and resources which priced themselves out of their markets. (3) Mitigation of inequality by taxation (particularly the progressive personal income tax) rather than by interference with the pricing of goods and services. David McCord Wright (*Democracy and Progress*) and Frank D. Graham (*Social Goals and Economic Institutions*) have taken a similar conservative line without direct influence from Chicago. Wright

[7] The semiannual *Reports* of the Council of Economic Advisers, as well as its occasional special reports, are available from the U. S. Government Printing Office, Washington, D. C. For a criticism, see, M. Bronfenbrenner, *Journal of Political Economy,* October, 1948.

is less inclined than the Chicago group towards equalitarian redistribution of wealth and income, and Graham places great stress on a commodity money based on a composite of durable and storable goods as a cure for both inflation boom and depression unemployment.

The same line of thought has made its influence felt even among American partisans of a planned or controlled economy. Abba P. Lerner, in his *Economics of Control*, is perhaps outstanding among writers who believe on the one hand that economic planning will degenerate into dictatorship unless it uses "economic rationality," i.e., the competitive optimum conditions, as rules governing its decisions, and on the other hand who doubt that these optimum conditions can ever be realized by the free play of a market economy without strong injections of socialist controls. Oscar Lange's *Economic Theory of Socialism* expressed the same position seven years in advance of Lerner's book, but Lange's views have presumably changed or been changed since his return to his native Poland, where he continues alive and unpurged as of last report.

Most American planners, like planners elsewhere, throw "economic rationality" out the window, and prefer to operate on the quasi-military basis of "Father Knows Best" or "Me (and My Gang) for Dictator," unhampered by any rules whatever. Along this line, the most interesting development has been the approach known as Linear Programming. Adherents of this approach abandon economic theory in favor of elaborate imput and output relationships between different types of goods and labor, or other sectors of the economy, such as the imput-output tables developed by Wassily Loentief[8], which enable them to work out in great detail the ramifications or repercussions of alternative policies which they are considering. On the basis of such tables, they try to work out maximum results for a given cost either in money or materials, or minimum costs for a given result, without asking embarrassing questions about prices and price changes. This type of planning resembles that believed to be used in the Soviet-controlled countries. The statistical work involved has been greatly facilitated in recent years by the development of electronic and other automatic calculating machines which can work out the requisite computations with remarkable celerity. Linear programming has been used in America, to the best of my knowledge, only by the military (an ominous development) for determining the best allocations of shipping space during the war, of air cargo space during the Berlin blockade, and

[8] Leontief's major work in this field is entitled *Structure of the American Economy*. Professor Leontief is, of course, not responsible for the uses to which his work has been put.

so on. It is believed to figure significantly in plans for American economic mobilization for any future "national emergency," temporary or otherwise.

IV

Dynamics or Growth

PASSING NOW to a few of the specific questions receiving new or increased attention from American economists, the problem of economic dynamics or growth comes first to mind. Out of the Kenesian discussion of the later nineteen thirties, with the stress laid by most writers on increased investment as a way out of depression unemployment, there has come a revival of interest on the longer-run effects of such investment or capital accumulation.

Is there, in the first place, any mechanism operating to keep the actual rate of growth in line with the rate warranted by the current expectations of businessmen, to say nothing of the normal rate required to maintain full employment? The terms are those of R. F. Harrod in Great Britain (*Towards a Dynamic Economics*), but the problem is at least as old as Marx and many American writers are disposed to be pessimistic, as is Harrod himself. Evsey Domar, who has written widely on growth problems[9], sees a dilemma in that the very investment which provides employment in one period may displace employment subsequently; he sees accumulation at increasing rates as necessary to maintain prosperity under capitalism, and is inclined to look toward government for the solution. David McCord Wright (*Economics of Disturbance*) focuses attention on a different aspect of the problem, the cyclical oscillations resulting from fluctuations in the rates of an economy's growth. He sees these as basic to the observed business cycle and doubts whether the cycle can be eliminated by economic planning except at the cost of damping down the growth rate when it rises most rapidly. Neither of these ideas is original in any strict sense, but their revival after years of relative neglect is indicative of the trend American economics is taking.

As is clear from the discussion of Domar's work above, the "stagnation thesis" or "mature economy" discussion is still an issue in America, despite the persistence of postwar prosperity. Many Keynesians, particularly the Harvard group (Alvin Hansen, Seymour Harris, Domar, himself), see an inceasing volume of public investment, artificial encouragement of high consumption, and perhaps a rising national debt as requisite to any

[9] *American Economic Review,* December, 1944 and March, 1947, *Econometrica,* April, 1946.

really long-term prosperity in the United States. Others, including not only business spokesmen but also the Chicago group already mentioned, think of investment outlets as nearly unlimited at going rates of interest (i.e., they see the demand for new capital as almost infinitely elastic) except for the influence of monopoly, particularly of labor monopoly as exercised through the trade unions. George Terborgh's *Bogey of Economic Maturity*, written under the auspices of a trade association, is an example of this type of literature.

Still another group of writers on economic growth rely on time series and their extrapolation to portray America's economic future, either without specifying the mechanism through which the extrapolation is to take place or advocating continuance of the economic system which allegedly caused the trends which are being extrapolated. The results of such extrapolations are usually highly optimistic in terms of the possible output, productivity and living standard America can expect in another generation or two if past trends are allowed to continue, and the whole method is considered ultraconservative in its implications. Among the writers taking this general line have been Harold G. Moulton, Sumner Slichter, and W. S. Woytinsky. Perhaps the fullest postwar presentation can be found in a Twentieth Century Fund publication entitled *America's Needs and Resources*.

V

Unemployment versus Inflation?

MANY AMERICAN ECONOMISTS, who ten years ago looked on full employment as an end in itself, are now wondering, on the basis of wartime and postwar experience in America and abroad, whether assured full employment is really worth its price in either permanent inflation, burdensome and arbitrary economic controls, or some combination of both. The problem is particularly acute when business, labor, and agriculture are all organized to press for constantly higher remuneration, but few believe it could be eliminated entirely in the most atomistically competitive economy.

We may mention Sumner Slichter (*The American Economy*, as well as a multitude of newspaper and magazine articles) as the most influential leader among those who feel that, particularly with increased labor influence in American politics, Americans must resign themselves to a "stair-step" inflation, with prices and wages rising during every boom and supported during every depression. Melvin Reder has formulated the same proposition theoretically[10], taking the position that a pressure-group

[10] *Canadian Journal of Economics*, February, 1949.

economy is unstable under full employment, in the sense that the total money demands of all organized groups in such an economy can be expected to exceed the total money national income at any price level whatever!

Under these conditions, many American economists are now willing to abandon the full-employment criterion for policy altogether, and use the threat of unemployment quite deliberately as a means for keeping pressure groups in line and moderating their money demands. The Chicago School should be mentioned particularly here, although its members are not in complete agreement among themselves. Henry Simons and L. W. Mints[11], for example, think in terms of a stable price level maintained through monetary and fiscal policy regardless of the degree of employment. Milton Friedman, on the other hand[12], would prefer the volume of government peacetime spending (in real terms), and also the tax rate structure maintained even if both prices and employment should vary. (This type of proposal, called "built-in flexibility" of the fiscal system, has the support of many business groups, including the Committee for Economic Development, who have been impressed by the destabilizing and inhibiting effects of fear regarding possible high future taxes even when present ones seem reasonable).

VI

Monopoly and Social Control

A NUMBER OF NEW PROBLEMS in both economic theory and economic policy have arisen in connection with monopoly and the public regulation of business. I shall mention only a few, which may be of general interest:

(1) There is a strong undercurrent of dissatisfaction with all received-monopoly and imperfect-competition doctrine. Its assumption of short-term profit maximization on marginal principles seem unrealistic, its results are not always identical with those observed in the market place, it leaves a number of important cases "indeterminate" without any solutions whatever, and it fails to provide administrators with any clear criterion for deciding what is a monopoly or monopolistic practice and what is not. There is a great opportunity for someone here, perhaps someone adept in the new techniques of the von Neumann and Morgenstern "Theory of Games."

(2) With the growth in strength and membership of the leading American trade unions, both national and local, has come a demand by some

11 *Review of Economic Statistics*, February, 1946.
12 *American Economic Review*, June, 1948.

economists and businessmen for a re-examination of the policy by which trade unions have been exempted from prosecution under antimonopoly legislation in their collective-bargaining activities. The issue was raised by Thurman Arnold in a book entitled *The Bottlenecks of Business*, written during the author's tenure as Assistant Attorney General of the United States, and the Chicago School strongly favors regulation of trade unions under the monopoly statutes. On the other side, in favor of the status quo, are arrayed the great bulk of American labor economists, led by Richard A. Lester and Arthur M. Ross[13], who deny that unions are monopolies or that it is practicable to regulate them as such.

(3) A recent court case involving the Great Atlantic and Pacific Tea Company, one of America's leading chain grocery stores, has raised the question whether monopolies (buyer's monopolies) are to be condemned by the public even when they pass on to the consumer the cost reductions they obtain by squeezing their suppliers. The Supreme Court and the U. S. Department of Justice have answered the question in the affirmative, but many professional economists, looking at the matter from the consumers' point of view, have disagreed sharply with the Court's decision.[14]

(4) Other postwar Supreme Court decisions, relating to the steel and cement industries, have forbidden agreements to price products delivered to the purchaser, with freight charges paid by the seller from some "basing point" which may not be the point of actual shipment—it may, for instance, be the plant of a competing seller. These decisions have aroused a storm of protest from business interests, and have revived professional controversy as to whether the elimination of "basing-point pricing" is in fact a step toward competition or toward monopoly. Fritz Machlup in a recent book[15] has established himself as a leading theoretical antagonist of basing-point pricing, with J. M. Clark as the outstanding spokesman for the other side.

(5) Joseph Schumpeter in his *Capitalism, Socialism and Democracy*, created a minor furore by challenging the traditional American antimonopoly position on dynamic grounds. In the long run, suggested Schumpeter, the restrictive practices of monopoly should be looked on as nothing but reasonable service charges for the more rapid rate of tech-

[13] Lester, *Journal of Political Economy*, December, 1947. and for a general denial of the applicability of marginal analysis to wage and employment problems, *American Economic Review*, March, 1946 and March, 1947; Ross, *Trade Union Wage Policies.*

[14] American Economic Association, *Proceedings*, May, 1949; also, Morris Adelman, *Quarterly Journal of Economics*, May, 1949, and *Review of Economics and Statistics*, August, 1949.

[15] *The Basing Point System.*

nological progress, and therefore eventual higher output and lower cost, which business has brought forth when insured against too much or too rapid competitive pressure. This heresy has found favor both in ultra-conservative and left-wing socialist circles, although for different reasons, but it has been opposed by most American economists of professional status, including Wright and Domar among those who have specialized in problems of growth and dynamics.

VII

International Economics

THE WAR has brought about a great revival of interest among American economists in the problems of international economics, which had been relegated previously to a narrow group of specialists. The realities of American foreign aid and foreign investment programs, America's part in international economic agreements on currency and trade, and America's world-wide economic and political rivalry with the Soviet bloc, have changed all this and made international economics one of the most popular specialties among university students and other prospective economists.

In international trade theory, the great postwar storm center is the thesis which has come to be associated with the names of Thomas Balogh in Great Britain and Ragnar Frisch in Norway[17], that stable international economic equilibrium is a snare and a delusion. According to these authorities, normal multilateral trade relations between nations do not necessarily or even probably lead to stable equilibria. Instability is rather the probable result, particularly if the countries concerned wish to maintain full employment, or if they are moving at different rates of technological progress.

If this thesis is correct, the United States is misguided in her attempts to lead the world economy back to freer and more multilateral trade. If this thesis is correct, there are no such things as "equilibrium exchange rates," for example, between currencies; "fundamental disequilibrium" is the order of the day. If there are no stable equilibrium exchange rates, trade must be planned quantitatively. If trade must be planned quantitatively, bilateral agreements, exchange controls, and "discrimination" against countries "exporting unemployment" or exceeding the world level of technological advance—meaning specifically the United States—must remain permanent features of the world economy.

[16] *American Economic Review*, September, 1949.

[17] Balogh, Contributions to Oxford Institute of Statistics, *Economics of Full Employment* and to Seymour Harris (ed.) *Foreign Economic Policies for the United States*, also, *Quarterly Journal of Economics*, February, 1949; Frisch, *American Economic Review*, December, 1947.

Most American writers, both in Government service and in the universities, are skeptical of this thesis. Except for a minority of planners and ultra-Keynesians, they think in terms of finding equilibrium exchange rates which will solve the world dollar shortage and permit not only multilateral trade but also free international capital movements, once a reasonable degree of confidence in the international political situation has been restored. Within the United States Government, Clair Wilcox has been a leader along this relatively optimistic line of thought; in academic circles, Gottfried Haberler has been a prominent spokesman.[18]

Another much-discussed problem has been the proper relationship between free and planned economies. Most American writers, led by Jacob Viner[19], doubt the wisdom of allowing a free economy to become too dependent on the decisions of foreign-planning authorities, just as European writers came to question the wisdom of maintaining the international gold standard after the world gold supply had become concentrated in the United States and dependent on the decisions of American monetary authorities. In general, then, American economists think in terms of minimizing the trade relations between market and planned economies, a policy more practicable for a relatively autonomous country like the United States than for a relatively dependent country like Japan.

American economists are also interested professionally in the problems related to the supply of capital to undeveloped areas, or to areas damaged by the war. There is a great deal of discussion as to whether the capital should be supplied as a gift or as a loan, whether by public or private bodies, whether by the United States alone or by international bodies such as the International Bank for Reconstruction and Development, whether interest should be charged, and whether supervision should be exercised over the uses to which the loans are put.

The problem of safeguards, of course, is a bilateral one. What control, if any, should the lender have over the uses to which his funds are put? What assurances, if any, should be given of his right to convert interest, principal, and possible profits into his own currency? What protection, if any, has he a right to expect against nationalization of foreign-controlled enterprises or discriminatory competition against them? On the other hand, what protection, if any, should be given the borrower against "exploitation" of native labor, monopolization of skilled positions by foreigners, and other forms of "economic imperialism"?

18 *American Economic Review*, September, 1948, and contribution to Seymour Harris (ed.), *op. cit.*

19 Viner, contributions to American Economic Association, *Readings in the Theory of International Trade.*

These questions are not being answered on any overall basis. But, as a by-product of interest in special problems of foreign economic development there is rapidly expanding in the United States a group of "regional economists," well trained both in general economics and in the problems of a single country or area, such as Latin America or the Soviet Union.

VIII

Marxian Economics in America

THERE IS, in America, little interest in Marxian economics within government or university circles. American Marxism is centered in special party circles, study groups, "worker's schools," and the like. Marxian economics as economics is not greatly stressed, and most of it does not go beyond parroting the most elementary and crude pamphlet versions of Marxism. Only a minority of professed American Marxists have ever read *Das Kapital*, *Anti Dühring*, or other Marxian classics. This situation is due, in part, to suppression of Marxist thought by "Red-baiters," Fascists, and people they have terrified. It is particularly serious at present because of the "Cold War," and has progressed to the point where no leading Marxist holds a chair in economics at any major American university. On the other hand, the American Communist party is, itself, partially responsible for the relative stagnation of American Marxism since the existence and enforcement of a party line dominated by Russian thought has tended to stifle independent fundamental research on Marxism in the relatively distant outposts of America.

The only outstanding recent American economic works from the Marxian point of view have been written by Paul M. Sweezy whose conversion to Marxism has been relatively recent. His *Theory of Capital Development* is a major contribution to the scanty literature on Marxism in English; his later volume on *Socialism* is more elementary.

The main problems discussed by contemporary American Marxist economists appear to be the imminence of the final collapse of capitalism and the relation between Marxian and Keynesian economic policies. There is relatively little interest in the discussion regarding the validity and relevance of Marxian value theory for a socialist economy.

American Marxist thought has followed that of Russia as regards the possible survival of capitalism. Immediately after the war, the thesis of Eugene Varga, to the effect that the war indicated capitalism's ability to plan, to stabilize itself, and therefore to increase its life expectancy, found considerable acceptance, but it is today heresy in America as well as in the Soviet Union. The official communist position appears to be that American capitalism can neither avoid nor survive the next depression, whose international repercussions will generate the final crisis of capitalism.

American Marxists take two divergent positions as regards Keynesian thought. Most favorable is the position taken by Sweezy and by Klein (*Keynesian Revolution*) that Keynesian policies are generally correct, but politically unworkable in a capitalist society and largely anticipated by Marx and his followers. Less favorable has been the communist "party line" reaction which follows the usual Russian criticism; in this view Keynes and his disciples propose simply to inflate the currency and alter the method of exploiting the proletariat from unemployment and wage cuts to inflation and price increases, whereas, in fact, no fundamental reform can possibly be brought about by purely monetary and financial manipulations so long as the class relationships of capitalism are left undisturbed. This view is accepted generally, not only by the Communists, but by the other Marxian political groups in America, most of which owe allegiance directly or indirectly to Leon Trotsky.

University of Wisconsin,
Economic and Scientific Section, GHQ, SCAP,
Tokyo, pro tempore.

Sociologia de la Politica Hispanoamericana. By Julio Ycaza Tigerino. Madrid: Seminario de Problemas Hispanoamericanos (Marqués del Riscal, 3), 1950, 344 pp., 25 ptas.

Because of his advocacy of *hispanismo* and nationalism, Señor Ycaza Tigerino, a Nicaraguan journalist, is an emigré in Spain. His book, which is based on his lectures at the Instituto de Cultura Hispánica in Madrid, is ideology rather than sociology. It will be useful for understanding the currents in Mexican, Central American and Chilean politics with which he is identified.

Contributors

Francis Neilson, Litt.D., essayist and historian; former member the British Parliament . . . Will Lissner, New York journalist . . . Frank T. Carlton, Ph.D., professor of economics, Case Institute of Technology . . . Hugh P. Williamson, LL.B., Assistant Attorney General of Missouri . . . T. Swann Harding, B.S. Chem., special writer, U. S. Department of Agriculture; editor, USDA . . . S. Vere Pearson, M.D. (Cambridge), senior physician, Mundesley Sanitorium, Norfolk, England . . . William L. Winter, Ph.D., assistant professor of social science, Teachers College of Connecticut . . . George C. Guins, LL.M., lecturer in Russian law, University of California . . . George L. Phillips, Ph.D., assistant professor of English, San Diego State College . . . William J. Grace, M.A. (Oxon.), assistant professor of English, Fordham University . . . Robert H. Bremner, Ph.D., member, department of history, Ohio State University . . . M. Bronfenbrenner, Ph.D., professor of economics, University of Wisconsin, on leave to SCAP, Tokyo.