BOOK REVIEW

REVIEW OF THE NEW TEXTBOOK SERIES IN MODERN POLITICAL ECONOMICS

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Steve Cohn, an American heterodox economist, has been researching competing economic paradigms in China. He argues that neoclassical economics has replaced Marxist economics as the dominant economic paradigm in China (Cohn 2011). Here “neoclassical economics,” in its broadest sense, refers to mainstream economics in the West.
Cohn’s argument has been confirmed by Haiping Qiu, a Marxist economist at Renmin University of China in Beijing. According to Qiu (2014), economics education and research in China have been westernizing gradually since the mid-1990s. In fact, Western economics, especially Western mainstream economics, now has dethroned Marxist economics as the dominant economic methodology in China, marginalizing Marxist economics severely.

Of course, there are many complicated domestic and international factors behind the shift. But one direct factor, I think, may be textbooks. Cohn (2011) mentions,

Some of the Marxist economists I interviewed criticized their Marxist colleagues for failing to innovate or update Marxist thinking. They lamented the lack of attention to mathematical techniques and the continued use of old textbooks. They implied that this gave students the impression that Marxism was dated and had been superseded by more modern theories.

The publication of the New Textbook Series in Modern Political Economics (hereinafter referred to as “the Series”), edited by Enfu Cheng et al., in 2012, may be the first meaningful attempt to change the situation. Enfu Cheng is a Marxist economist at the Chinese Academy of Social Sciences in Beijing. As Cohn (2011) observed, “While retaining a fairly orthodox viewpoint, Professor Cheng has tried to open Marxist discourse in China to interactions with other heterodox paradigms. He has also tried to welcome more mathematical analysis alongside qualitative analysis.” This point has also been incarnated in the Series, especially in Advanced Modern Political Economics (hereinafter referred to as “the textbook”), which was designed basically for doctoral students in Chinese universities. The other two books of the Series, Modern Political Economics and Intermediate Modern Political Economics, are basically for undergraduates and for master’s degree students, respectively.

While retaining an orthodox viewpoint and discourse of Classical Marxism, the textbook gives a fairly large space to an introduction of relevant economic theories of various schools of Marxism (most of which were labeled as “revisionism,” a pejorative term, in Chinese academia for decades after 1949) and other heterodox schools. These schools of thought include Leninism, Trotskyism, Western Marxism, Post-Keynesian Economics, Neo-Ricardianism, Japanese Marxian Mathematical Economics, Neo-Marxian Economics, and Analytical Marxism, among others. The textbook also gives enough space to comments on and/or counterarguments against these theories.

The textbook implies that some concepts or principles in Classical Marxism, where necessary, could be improved or even revised. For example, the “New Presumption about Value-Creating Living Labor,” one of what the textbook calls
the “Four Theoretical Presumptions in Modern Marxist Political Economics,” given at the very beginning of the book, is that the productive labor, which creates value, not only includes labor that produces material commodities, which Marx expounded, and labor that displaces tangible or intangible commodities, which Marx basically expounded, but also includes labor that produces tangible or intangible cultural commodities, labor that provides services for production and reproduction of labor commodities, and managerial activities undertaken by owners of private, productive enterprises (Cheng and Ma 2012, 4–5). For the Transformation Problem in Marx’s work, which might be first pointed out by Eugen Böhm Ritter von Bawerk (Eugen von Böhm-Bawerk) and Ladislaus J. Bortkiewicz more than 100 years ago, the textbook argues that the main reason why there is no consensus on it among Marxist economists in the world up to now is that Marx’s Transformation Theory per se has its own historical limitations (Cheng and Ma 2012, 337–41). Another example is about the Law of the Tendency of the Rate of Profit to Fall, expounded by Marx. The textbook reconsiders the “law” and argues that with the introduction of the concept of “Inward” Organic Composition of Capital, the tendency of the rate of profit will depend on both change in the inward organic composition of capital and change in the rate of surplus value, which has become an endogenous variable, and that there will be tendencies of the rate of profit to fall, rise, or remain constant, depending on the rate of change between the two variables (Cheng and Ma 2012, 385–90).

Traditional Chinese Marxist political economy has ignored the role of mathematics in economic analysis and Chinese textbooks in the field have almost excluded mathematical modeling and mathematical analysis, though Marx himself had placed emphasis on the role of mathematics and some schools of thought in Western Marxist or Marxian economics, for example, Japanese Marxian Mathematical Economics and Analytical Marxism, have also applied mathematical modeling in economic analysis for many decades. It is a very important attempt for Cheng et al. to introduce so much mathematical analysis and so many mathematical models in the Series, so that these textbooks of the Series, with mathematical analysis as well as qualitative analysis, may become a countervailing power against the influence of neoclassical economics textbooks in China. In the textbook, mathematical models are everywhere: from the Marxian Fundamental Theorem, given and proved by Michio Morishima and Nobuo Okishio, to Ian Steedman’s argument against the Theorem and the Labor Theory of Value, to the counterarguments from Marxist economists, including a few Chinese Marxist economists; from the debate on the relationship between labor productivity and commodity value to the construction of new models for reproduction based upon François Quesnay’s Tableau économique, Karl Marx’s Theory of Reproduction, Léon Walras’s General Equilibrium Theory, and Wassily Leontief’s Input–Output
Model; from the debate on Marx’s Transformation Theory to Okishio’s Theorem and the debate on it; and so on. It is rare to see a Marxist textbook in China with so many formal models.

It is interesting to note that the textbook also tries to use the principles and discourse of Classical Marxism, through mathematical modeling, to explain phenomena that are usually described in neoclassical terminology in neoclassical economics. For example, after analyzing the phenomena of monopoly, public goods, and externalities in this way, the textbook gives a Marxist explanation for market failure at the micro level (Cheng and Ma 2012, 508–13).

The dominance of neoclassical economics in economics education and research in China today has resulted in “the poverty of a philosophy”—a philosophy of parrotry. One example is this:

In a leading Western mainstream economics journal, there are generally both “mathematical economics” papers and “econometrics” papers, but in a leading Chinese mainstream economics journal, there is a great flood of “applied econometrics” papers almost without “mathematical economics” papers and interestingly without “theoretical econometrics” papers. The standard assembly line for “manufacturing” an economics paper by professors and PhD students in Chinese universities intended to be published in such a leading Chinese mainstream economics journal should be like this: Literature overview → Copy an econometric model from a Western mainstream economics source → Put data and statistics from Chinese “reality” into the model → Use of standard econometric technique (panel data analysis being faddish), by standard computer software in most cases → If the result is satisfactory, the author will eulogize the Western mainstream model and technique he has employed in his paper; If the result seems all too aberrant, then he will write that this may result from the data collected from the economic reality with Chinese characteristics which is quite different from the American economic reality which the econometric model was originally based upon and improvement for the paper will depend on further research in the future.1

Neoclassical dominance notwithstanding, its poverty may give Marxist economists and left-wingers in China an opportunity to reoccupy the mainstream position. To attain it, however, there remains a long way to go. Here a textbook more attractive to students is an important ingredient in the endeavor. As Xiaokai Yang (1999, 6) pointed out, “Mainstream economics may be right or wrong, or good or bad. Nonetheless, from a positive view, it is defined as that which has been taught in most economics courses from generation to generation.” The publication of the Series, edited by Cheng et al., is undoubtedly a notable step forward. Hopefully, more original ideas will be included in the next editions of the textbooks of the Series in the future.
Although the textbook has touched upon the environmental problem, for example, in Chap. 11 and sec. 1 of Chap. 15, it seems that environmental considerations were not given due weight in the whole book when the world is threatened with an ecological catastrophe today. It may be a good idea that in the future edition of the Series, a new part, “Part 6 The Process of the Ecological Economy,” be added after the current Part 4, “The Process of the National Economy,” and Part 5 “The Process of the International Economy.” But it would be much better to restructure the textbooks across the board to make it more ecologically aware.

The mathematical system used in the Marxist or Marxian formal models in the Series is basically that of marginal analysis—a technique originally and widely used in neoclassical economics. But the technique also has serious limitations. Marginism, as the specific target of Piero Sraffa’s criticism, is a constant element in his thought, and he believed that the marginal method did not satisfy his criteria of scientific method (Marcuzzo and Rosselli 2011). When talking about the emphasis on abstract modeling by modern economics, Michael Perelman (2007, 185) argues, “In the evocative phrase of Steven Shapin, ‘elegance trumps pertinence,’ but, I should add, ideology trumps elegance.” It is not easy for Marxist economists in China and the world to find or even develop a new, more “pertinent” mathematical methodology, which goes beyond the neoclassical paradigm, for formal models in Marxist economics. Hopefully, the results of such exploration will also be included in the future edition of the Textbook Series.

Note
1. This quotation comes from my email to Steve Cohn, December 27, 2011, with the subject “Competing Economic Paradigms in China: Comments (1).”

References