Challenge to Neoclassical Economics by Professor Shaikh

By Edward J. Dodson

March, 2016

Professor Shaikh has obviously given a great deal of thought to the problems associated with economics as taught (and as has been taught for nearly a century). I am among those who share these concerns but from a somewhat different perspective.  
  
My own research has focused on the societal dynamics that evolve as groups ended their patterns of seasonal or periodic migration and settled down into permanent or semi-permanent villages, which grew into towns, which grew into cities. In every instance, groups lose their communitarian structure and become dominated by hierarchy. Settlement required the adoption of rules to establish the basis for allocation of land and access to necessary natural resources. Eventually, consensus based on fairness to all (as, for example, described by John Rawls) is displaced by power and privilege (as detailed in Gerhard Lenski's classic analysis). The outcome is societies dominated by rentier interests. In terms Adam Smith would appreciate, these societies experience an immediate redistribution of income and wealth from producers to non-producers.  
  
What clouds these relationships is that rentier interests expanded their control from that of nature to include capital goods, finance and services. No society has ever experienced capitalism (if, by capitalism one looks for the widespread ownership of capital goods and income derived therefrom, as described in the books co-authored by Louis Kelso and Mortimer Adler in the early 1960s).  
  
History begins with systems of agrarian landlordism. When animals became the source of revenue, the system was expanded to become agrarian-commercial landlordism. As industry expanded and surpluses became the norm, the system again expanded, with finance also a major component. Landlordism -- the rentier component -- remained. It was now well hidden within the systems of property law and taxation. Is this capitalism? No. It is "agrarian-commercial-industrial-financial landlordism."  
  
How could power and privilege be dealt with? The only peaceful and fundamentally just approach was touched on by political economists and philosophers. The most expanded analysis that first appeared came from France and the writings of Quesnay, Turgot, du Pont de Nemeurs and others of the Physiocratic school. The Scot, Patrick Edward Dove provided a similar analysis. And, then at the end of the 19th century came the most comprehensive systemic analysis from the American political economist Henry George.