2. We are considering only contiguous grouping structures, where $g$ changes in increments of one, but the results can be generalised to increments larger than one.
3. Obviously $T_{w}$ is zero, since there are no groups at the "within-individual" level.
4. Even household surveys, for example, fail to capture inequality between individuals within the household.
5. Even if between-individual inequality is known, often the research question attempts to determine the extent to which overall inequality can be attributed to dispersion across groups.
6. Note that the number of groups for the grouping structure $g$ is now $g = 1, ..., g - 1$.
7. Statistical significance results are not as good as those reported when the time periods are combined, due, in large part, to the lower number of data points in each interval. Bootstrapped values are not adjusted.

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OTHER THINGS EQUAL

Getting It Right, or Left: Marxism and Competition

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It's educational to keep friends around who disagree with you. Amie Oksen Rorty, a philosopher/anthropologist, once wrote that what is needed in intellectual life is an ability to engage in continuous conversation, testing one another, discovering our hidden presuppositions, changing our minds because we have listened to the voices of our fellow. Lunatics also change their minds, but their minds change with the tides of the moon and not because they have listened, really listened, to their friends' questions and objections. [1985, 562]

Words for a scholar to live by.

Most neoclassical/Austrian economists, even Good Old Chicago School economists, don't know about Marxist economics, the kind that still thrives in places like Japan and Italy, not to speak of the Department of English in the U. S. of A., and they don't care. Furthermore, they know what they don't like, and it's not scientific, whatever it is.

I've always cared, and therefore have been ambiguous about not liking it, though I'm not much more learned in Marxism than the other non-Marxists. I care because I've always had a lot of Marxist or marxoid friends, from Rich Weisskopf in 1964 to Nancy Folbre in 2001. It irritates them when I explain that I was briefly a Marxist myself, before I became an economist. The study of economics tends to drive Joan Baez-type "Marxism" out of a teenager, or at least it did so quite regularly around 1960. I am just one of numerous elderly American academics who in their youths thought Marx had it just right (or in my case more exactly that the anarchists Prince Kropotkin and Emma Goldman had it right; I still share their dim view of state thugocracy). Then we 1950s- and 1960s lefties took a college economics course and learned that the first few pages of The Communist Manifesto was nothing like the last word in economics and economic history. (Professors of English, please listen.) Robert Fogel, for example, the empirical, Chicago-School Nobel-laureate in economic history, was a

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paid organizer for the Communist Party back in the 1950s, when it was dangerous to be one. Robert Nozick, the economics-trenched philosopher at Harvard, describes in his book of free-market political philosophy, Anarchy, State, and Utopia [1974, 20] how he went from left to “right.” (Libertarians do not like the confusion between us and the country-club fascists implied by the luny categorization “right”). All such studies of economics c. 1960 learned, either quickly (those other people) or a bit (me), that competition works for poor consumers and that bourgeois economic growth has been massively good for the poor, too.

My Marxist friends suspect that I do not spend enough time listening, really listening to their stuff and therefore do not quite grasp it, which makes my disagreements misinformed. That’s correct. It’s my fault. I promise to try to listen harder.

But from the listening I have done, I have some quasi-informed opinions about the few Marxists in American economics. I think I grasp for example what the Cambridge, Massachusetts Marxists of my generation, Sam Bowles and Herb Gintis, a few years ahead of me at Harvard graduate school, with Steve Marglin (dito) and John Roemer (and the political scientists by the river on the side, who do “analytic Marxism.” They appear to be trying to turn Marxism into a version of Chicago-School economics, right down to a fondness for competitive models and an interest in transaction costs. As a Good Old Chicago-School economist myself I can’t get too upset. But I don’t like what I discern as the reduction of science to blackboard models, especially the game-theoretic ruminations lacking in quantitative content that have taken over population biology as well, for the same reasons I do not like it in Chicago (thus McCloskey [1990]). But I am open to listening, really listening: Am I right, fellow? You have given up on Marx and have shifted to Friedman and Schelling and Axelrod, as your gurus, yes? Good gurus, those, but I wonder if you might be throwing out a baby or two with the bathwater, eh?

I have an especially large number of Marxist friends among what is known as the Rethinking Marxism crowd. Rethinking Marxism is an American journal (quite a good one; I know because it publishes my stuff) critical of Party-line, old-style Marxism, and of the wannee neoclassicism of the analytical Marxists. The University of Massachusetts at Amherst, where the journal is spiritually centered, has the distinction of being one of the few American graduate programs in economics with any distinctiveness (the libertarianists at George Mason are another one; a third, the Austrians at NYU, are under attack from neoclassicals who have persuaded the dooms that normal science is dead, Texas long ago gave up its institutionalism, UCLA its property-rights specialty, Virginia its monetarism). It’s a curiosity of the science of specialization that only a handful of our graduate departments specialize. Most (not my own University of Illinois at Chicago, by the way: come on over and see an empirically oriented department in action) try to be pale versions of MIT c. 1980, and fail. Anyway, the distinctiveness of Umass Amherst is that it shunts Marxists, of all kinds, among them the students of Stephen Resnick and Richard Wolff. The students founded Rethinking Marxism in the early 1990s. As far as I can make out from my friends in the group, such as Jack Amariglio (the retired founding editor of the journal, with whom I teach in Amsterdam every summer) and Steve Cullenberg (who was my chair while visiting Riverside) and David Bacon (the new editor of the Journal, who is a fellow student, and a leading voice in the new generation of Marxists)....
views I think more or less mistaken—environmentalism, progressive institutionalism, or, to come to the present theme, Marxism. 

I was talking with one of the Marxists at lunch, a French Canadian at one of the Universités du Québec, and she was astonished at my Chicago-School views. I suspect she does not make a habit of keeping friends who disagree with her. She could not believe that someone holding my anti-Marxist views could be sincere or intelligent. At one point she sarcastically objected that I merely "enjoyed arguing," as though I was faking it, and if woken up suddenly in the middle of the night and quizzed grudgingly on the spot I would admit to actually agreeing with her Marxist ideas. I've noticed over the years that many people have such an opinion about Milton Friedman: he can't really believe all that stuff, can he? It's comforting to think this way, because then you yourself don't have to listen, really listen.

But let's practice. When I would claim that capitalism was good for women my Québécois acquaintance would counterclaim, with ill-concealed contempt, that of course capitalism is monopolistic, and therefore must be bad. (I note by the way that the Court of Appeals decision on Microsoft reaffirms the old legal dictum that "monopoly is not per se bad: after all, you have a monopoly on the copyright on the next article you write." She gave the example of the evil international corporations, natch, to which I replied that they in fact compete with each other. For example, we North Americans have now more competition in autos than we had in 1960: instead of the Big Three Plus One we have dozens of companies competing for our business, from Korea to Italy. She said that the international corporations exploit the poor in the Third World. I denied it, and added that the monopolies who really hurt the poor are ones she favors, namely, cartels in retail trade protecting Main Street stores from competition from the big-box people like Walmart or Home Depot. This made her angry, since in her world it's just obvious that big companies are bad. I replied that Adam Smith disapproved of governments run by any shopkeepers, whether little retailers or big importers, and so does the Chicago School (and some Marxists, such as the historian Gabriel Kolko, who delighted us at Chicago in the 1970s by finding that the Interstate Commerce Commission was a conspiracy by—surprises, surprise—the railroads themselves). She was puzzled and angry. How can you believe such rubbish?

But listen, really listen. What we agreed on was that the question whether or not competition actually occurs is central to the political economy of capitalism. If capitalism is just a get-rich-quick scheme by fat cats who run the government, then I say, and I'll bet you do, too: tear it down. Much on the country club and torch it (you see that I haven't entirely gotten rid of my Emusa-Goldman views). Yet if capitalism is an attempted but failed conspiracy, as though by an invisible hand has enriched the average Canadian by a factor of eight or so since 1900 (and which, as I have argued recently, in fact encourages "bourgeois virtues" better sometimes than the virtues of a military camp or a religious jihad), then I say: three cheers for capitalism. The state of competition that makes the invisible hand open up to the poor—or not—matters crucially to our disagreement over capitalism.

That's what Baran and Sweezy realized long ago in their great book, Monopoly Capital (1966). Like real scientists they asked a question—does capitalism show a tendency to increased monopoly?—and went into the world to find out the answer. That's science, kids. And it has a long history in Marxist economics. Aside from the master himself, and Engels, the very notion of monopoly capital was treated in 1920 by Rudolf Hilferding in a thoroughly modern way—the Hilferding index has of course received attention from such anti-Marxists as George Stigler, but Hilferding was an Austrian Marxist.) My conclusions from a lifelong flirtation with Marxism and Marxism is that my kind of economics walks away from a great many unanswerable scientific questions like this one, which we need to face up to. When Bill Lazonick claims that innovations in British cotton textiles in the 19th century were dominated by motives of union busting I can't just snore and ignore his evidence. When Jack Amariglio claims that the market, in which by the way he participates joyously, has evil effects on its participants, I have to listen.

And even on the narrow matter of industrial organization there's a lot to learn. Mainstream neoclassical economics has wandered far off the competitive point. The study of industrial organization has been reduced to chess-problems about game theory, to which unhappily the analytic Marxists contribute. It's a scientific disgrace, as more and more economists are realizing. Meanwhile the great empirical question—is capitalism competitive?—has been cast aside. The empirical Marxists have at last struck to the real question. Good for them. Hey, the rest of you: wake up. Become scientists at least as serious as the empirical Marxists, Read Pollock's The Invisible Heart [2001] and see if you can answer it. Believe me, you will not find this an easy standard to meet.

Yet I think a real answer to the real, Marxist question about the competitiveness of capitalism would yield surprising results, not at all like what the Marxists believe. The Northwestern law professor David Hackett and I sketched decades ago an empirical project, never implemented, to find out whether competition has increased or decreased in the past century and a half. We wanted to measure the degree to which an average consumer faced one, two, three, competitive suppliers for her bread, her roots, her education. We were going to use the vast and unused sources from the consumer's point of view—things like diaries of purchases (in South Asia the middle class habitually keep them, and let them up annually; imagine what you could do with computer records on individual sales). Our strong suspicion was that falling transport costs (called these days globalization) and the enriching of the product range (reinforced concrete substituting for structural steel, for example; cell phones for land lines) has since 1860 or 1900 increased, not decreased, the degree to which consumers (both final and business consumers) have real choice and the degree therefore to which producers are forced to pass on technological gains. That is, Baran and Sweezy, though asking the right question, had the wrong answer (the date at which they assessed capitalism may have mattered: in 1966 after three or four decades of retreat from libertarian principles—in schemes like resale price maintenance and trade protection and farm policy—the notion that capitalism was growing less competitive may have seemed plausible; it was just about to change). Capitalism in the long view is not monopolistic; it's competitive, and increasingly so. Which if true, my Marxist friends and I agree, would make all the difference.
That, my dears, is the advantage of cultivating friends outside those who every single time agree with you about fundamentals, which are the usual sort of intellectual friends economists favor these days. Disagreeing, if not disagreeable, friends make you a better person and a better scientist, changing your mind not with the tides of the moon, or the dictates of some Party line, but because you have listened, really listened, to your friends’ questions and objects. Give it a try.

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BOOK REVIEWS


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In the June 2000 Economist [page 81], Jeffrey Sachs suggested that there are three types of countries in the global economy—those that produce technology (measured by patents), those that use technology (measured by high technology exports), and those that neither use nor create technology. These countries are, respectively, rich, middle income and very poor. According to Sachs, Hungary and other Central and Eastern European countries fall into the middle group—they use technology to export knowledge-intensive goods and are therefore middle-income countries. This raises an interesting and important question with broad implications for the future of Europe—can Central and Eastern European countries produce new technology (a kind of knowledge) and become rich countries [Acz, 2001]?

Peter Biegeleibauer has provided us with an unusual, if not remarkable, insight into this question. 130 Years of Catching up With the West studies the interdependence between the political sphere and the areas of science and technology. It compares the economy of Hungary to other Central and Eastern European countries (particularly Austria and Germany) from the 1860s to the 1990s. The most important contribution of this book is its careful examination of the role of science and technology policy in small transition economies.

The message of this book is that science and technology systems are important inputs to the process of economic growth, and so science and technology policy matters a lot. The book offers insights into the process by which science and technology policy developed in Hungary over four different political and economic systems—from 1870 to the outbreak of World War II, the Soviet System from 1945-1970, the New Economic Mechanism from 1970 to the mid-1980s, and the market period from the mid-1980s to the present. By comparing these four eras, the author hopes to better understand the successes and failures of science and technology policy. One of the central hypotheses of the study is that small states mainly use policies developed by larger powers.

Chapter 2 presents models of technological change from Marx to the present. It covers familiar ground and goes from science push to demand pull models. This shift in emphasis is important because it changes the focus from science and technology to innovation, a market-driven process. Biegeleibauer suggests that at present there is no clear model to describe the process of technological change; he then examines the systems approach to innovation.

Chapter 3 examines the beginning of industrialization and the origins of the Hungarian Science and Technology System. The focus is on education, especially univer-