

## Heterodox Economics and the Economics of Harm

Lane Vanderslice

*Lane Vanderslice is retired from the Academy for Educational Development in Washington, DC and as editor of the World Hunger Education Service's online publication worldhunger.org. Comments by James Bass were very helpful in shaping this article.*

**Abstract:** This article is a companion to "Orthodox Economics and the Economics of Harm." It builds on the previous article by developing two topics. In the first section is a further discussion of the concept of harm. What is the best name to give to the concept of harm, as other general terms have been proposed? Is harm a value judgment and thus, as a concept, not able to be part of an objective science? How will harm be treated in economics? The second section discusses heterodox approaches to harm. Much of heterodox economics, such as institutional, feminist, and conflict economics, has focused on major areas of harm, developing and strengthening the analysis of harm. The two costs have been terminologies which differ among the various approaches and the (unmet) need to bring the approaches together in an overall view of harm. Heterodox economics (and the relatively few orthodox authors) are on the right track in understanding productive + harmful economic systems while orthodox economics, as shown by its textbooks, is not. Yet the wrong approach is the dominant one. Will the truth win out?

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Although oppression and exploitation have been major ways of obtaining income and control of societies for centuries, and is a fundamental part of Marxist economics, these terms are not present in orthodox economics nor does obtaining income or control in this way play a major role.

Orthodox and heterodox economists have come up with important concepts to understand harm and economic systems where harm is a fundamental part, but in orthodox economics these are not yet considered together as a group, nor is their collective importance recognized. Harm is used in this article as a term that attempts to describe the same phenomena as exploitation and oppression, but one more congruent with both orthodox economic theory and much heterodox writing on harm. It is defined as *one group using resources to structure the alternatives of a second group in such a way that the first group benefits*. This article is a companion to my article "Orthodox Economics and the Economics of Harm" (Vanderslice 2021).<sup>1</sup> There has been significant attention paid to harm (using other terms) by both sets of economists over the years. The first article looked at basic types of harm that appear in orthodox economics including: monopoly and market power generally; harm to workers, consumers, and nature; conflict and conflict theory; rent seeking; and discrimination. Also important to identify are societies which have harm as a central component of the economic and social structure which I refer to as a productive + harmful social system. Two groups of orthodox economists have proposed similar terms. Daron Acemoglu and James A. Robinson (2012) have proposed "extractive political and economic

<sup>1</sup> This first article contains two important sections: 1) some major areas of harm treated in orthodox economics with an idea of their importance; and 2) a look at the substantial omission of harm in orthodox economics texts. These ideas are developed in the first article, and it would be helpful to read it first.

institutions." Douglass North, John Joseph Wallis, and Barry R. Weingast use "limited access order" or "natural state" (2009, 30).

A natural state . . . forms a dominant coalition that limits access to valuable resources—land, labor, capital—or access to and control of valuable activities—such as trade, worship, and education—to elite groups. The creation of rents through limiting access provides the glue that holds the coalition together, enabling elite groups to make credible commitments to one another to support the regime, perform their functions, and refrain from violence.

Thus, whatever the differences, the idea of a social structure which contains exploitation and its institutions now appears in orthodox writings, as well as heterodox.

This article builds on the previous article by developing two topics. The first section provides additional discussion of the concept of harm. Is there unproductive activity that obtains income? What is the best name to give to the concept of harm, as other general terms have been proposed? Is harm a value judgment and thus, as a concept, not able to be part of an objective science? How will harm be treated in economics? The second section discusses heterodox economics in in relation to harm.

### **Harm**

*Is there unproductive activity that obtains income?* The answer is clearly yes. Both orthodox and heterodox economists have analyzed such income. The basic types of harm are sufficient to indicate the importance of harm.

First, in all the concepts discussed, part or all of the return, depending on how the concept is defined, is a return done by harm done to others. It is unproductive activity. Should there be a general term? The answer is certainly yes if the various things one is trying to classify have an important characteristic in common. Economics (and science generally) works on appropriate general categories, and if a suitable general category can be established it should be done. The importance of harm is obscured by using different names for different types to not fully understand what has been in fact a central phenomenon throughout history.

What name should be given to the concept of harm? For the general activity, my preference would be harm, but, if my approach is widely adopted, the choice will be and should be up to the economics profession. Each term has its advantages.

My definition mentions that it does involve taking away from a group and gives a general description of how this is done (by structuring people's alternatives). But so do conflict theory, natural states, and extractive political and economic institutions. The formal treatment of conflict vs. production in conflict theory does illuminate the difference (Hirschleifer 1991). Conflict theory can be used to describe any type of unproductive activity that obtains income and uses resources to do so. I find rent seeking to be a less well defined and accurate term than the others, focusing as it does on one part of the process, rent seeking, when the key part of the process is rent creation, but it appears to be more widely used than any of the other terms, and, as a term, sounds like it belongs in economics. Two further objections to harm are that it doesn't take account of types of things that could reasonably be considered as harm, such as unequal income distribution with substantial poverty, and, though descriptive, it is something of a new term in economics, which perhaps already has a surplus of terms.

Exploitation and oppression might be considered as terms that have been widely used. I think these terms are just too strong to be used as general description and should only be used for extreme types of harm. Unproductive activity that obtains income is another possibility, as the existence of unproductive activity that obtains income is an accepted part of orthodox economics. This is a bit of a mouthful but does clearly express the basic distinction. What is included will be different for different analytical frameworks, but what "unproductive activities that obtain income" consist of in a framework where it can be discussed by orthodox and heterodox economists is worth considering much more fully.

What to call the social system that contains both production and harm? I have called it a productive + harmful social system. As mentioned above, two groups of orthodox economists have proposed similar terms.

For recent centuries, Marxists have called such a system capitalism. Both Marxists and the two orthodox groups of economists would agree that the harm/exploitation is intertwined with, and a result of, control of the political-economic system. I think both approaches are valuable. Natural states/extractive political and economic institutions do illuminate the existence of another important mechanism of allocation besides the market and in many situations should be the framework of analysis. Capitalism indicates a broad system where it plays a key role. Capitalism is a reasonable term for many heterodox economists, but one which is less acceptable to orthodox economists who have not considered a broad range of harm as part of capitalism, nor consider labor as the only source of value.

*Is harm a value judgment and thus, as a concept, not able to be part of an objective science?* This fairly widespread idea is wrong, I believe, but requires discussion. Two points.

First, harm is a value judgment. The reason why it can be discussed is that orthodox economics *studies* people's value judgments. That someone thinks something is a good is a value judgment. Someone thinks something is worth having and takes specific actions to obtain it. When people are confronted with harm, their actions are different. Depending on the circumstance, people try to get away from the harm or change the situation which creates the harm, and this often involves group action. These are types of behavior based on people's value judgments.

Second, such inclusion of value judgments does not seem to be generally accepted in orthodox economics. A problem arises when orthodox economists consider orthodox economics as "positive" economics, one free of value judgments, while economics involving any mention of exploitation, or a similar concept, is "normative" and thus not to be considered in "positive" economics. However, Warren Samuels argues in "A Critique of the Discursive Systems and Foundation Concepts of Distribution Analysis" that "the concepts of productivity and exploitation are selective and thus normative in requiring a base to reach substantive conclusions" (1982, 63). But the role of value judgments in economics (or any social science) goes beyond distribution, though it is certainly evident there. Examine your own consumption decisions including charity. They express choices based on values. Similarly, production and work decisions are based on values, certainly for individuals, though the idea gets more complex when the decisions of institutions such as corporations are involved. Economists as economists make choices in "constructing models" and other analysis to bring out feature of economic life that they think are important and in evaluating evidence for one contention or another. The practical result of this, and an important point, has been that orthodox economics, primarily consumption and production based, has gotten a pass on its value judgments while an economics that includes harm is judged value-laden and rejected.

*How will harm be treated in economics?* Some further points.

There has certainly been in economics and society something that might be called allowable harm. For example, firms can outcompete other firms and drive them out of business. Trade has winners and losers. Such “allowable harm” can and does evolve with important considerations being the political power and analytical persuasiveness of those in the discussion.

A second point concerns decision-making in a democracy. The basic idea in a democracy is that voters make decisions, and these decisions may well benefit some and harm others, yet this is the way such decisions are made and should certainly not be called harm. This is a reasonable starting point (given a benign view of the types of decisions to be made) but does not consider the real possibility of a democratic government which harms some portion of its people. Democracy by itself does not protect against harm and in fact can lead to harming a minority. It needs to be buttressed with other tools such as a bill of rights and a non-biased judicial system, as well as a majority of the citizenry willing to understand and redress harm to a minority.

Third, I think a major part of the discussion of harm is carried out with great seriousness and focus on the issue. These are not trivial discussions. Black lives matter, harm of civilians in warfare, and voting restrictions are all examples of important current issues involving harm.

Fourth, harm can be identified as an abstract concept, but its identification in reality is not clear-cut and is typically discussed and often contested, even strongly. Those that benefit from the supposed harm will defend it as providing a benefit, or that it falls in a category of allowable harm or something that should not really be considered as harm (such as worker effort), or that other rights supersede it (the workplace belongs to the owners, and the worker can choose not to work there if they wish). In current situations where the reduction of harm is being considered a more neutral or positive term such as standards or benefits might be better to use, if possible.

### **Heterodox Economics and Harm**

Understanding harm has played a key role in heterodox economics. It plays a central role in traditional Marxian economics, where exploitation and oppression are important sources of income in a society, and those who possess such sources of income play a dominant role in the organization of society and its institutions.

Most heterodox economics employs other frameworks than the traditional Marxist one, but nonetheless analyze many of the same problems. Heterodox organizations often focus on specific areas. The [Association for Evolutionary Economics] focuses on institutional economics, the International Association for Feminist Economics] focuses on feminist economics, the National Economic Association on racial and other forms of discrimination, economic journals and other institutions in the Third World emphasize their region or country, Economists for Peace and Security. . . . Concepts of specific types of harm have been developed by these groups, and their theoretical frameworks and terminology differ. For example, just in institutional economics, K. William Kapp addressed many sources of harm by firms in *The Social Costs of Private Enterprise* (1950), and Thorstein Veblen analyzed how consumption plays a role in stratifying society to the benefit of a few in *The Theory of the Leisure Class* ([1912] 1953). Thus, a unified view of what heterodox economics says is more difficult to come by.

Despite this difficulty, I believe the overall approach is correct and important. These are major types of harm and understanding them has been greatly deepened by this focus on specific types.<sup>2</sup>

Nonetheless, I don't think that this second system, a productive + harmful one, where substantial control is exerted by a group which receives the benefits of harm, is sufficiently brought out in many heterodox journals.

In the first article, I criticized orthodox economics in the following way. Two sets of orthodox authors (North, Wallis and Weingast and Acemoglu and Robinson) estimate that countries that live with limited access orders (using their term) have about 85 percent of the world's population. Yet apart from the very few that have raised this point, orthodox economics does not regularly consider such a system, certainly not in its textbooks. Both sets of authors also distinguish a second group of countries that has emerged—an open access order for North, Wallis and Weingast and inclusive for Acemoglu and Robinson, with about 15 percent of the world's population—those that live in developed countries. They believe that these nations have tamed conflict as a way of settling disputes and instead have democracy and the rule of law. In contrast, heterodox economists and analysts from developed countries would say that the major countries which harm others are in fact the developed countries: focusing on internal governance does not tell the whole story. For example, many developed countries, including the United States, have no problem with using force in international relations or maintaining international institutions that accede to their wishes, which opens the possibility for harm. In addition, various types of harm are significant in developed countries; political institutions favor control by certain groups and permit harm in various ways.

So, for heterodox economists, a fair conclusion would be that a productive + harmful social system is worth discussing for 100 percent of the world's countries. It is the fundamental and most typical political economic system of past and present. Yet I don't see this point raised, discussed, or accepted as understood in heterodox economics.

What should heterodox economics do about this? In my view the various organizations of heterodox economics should recognize that for an important part of their analysis, they are describing different aspects of a productive + harmful social system and cooperate to publish a low-cost book (and/or free online) that can be widely available for heterodox economists and students of economics to use to understand the system. It will give everyone a much better view of what heterodox economics has to say about harm. Importantly, this book can be used by heterodox economists in teaching economics courses where the texts are orthodox.

In conclusion. Heterodox economics (and the relatively few orthodox authors) are on the right track in understanding productive + harmful economic systems while orthodox economics, as shown by its textbooks, is not. Yet the wrong approach is the dominant one. Will the truth win out?

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<sup>2</sup> For two similar views, see "Invisible Exploitation: How Capital Extracts Value Beyond Wage Labor" by Eva Swidler (2018) and "Manifold Exploitations: Toward an Intersectional Political Economy" by Nancy Folbre (2020).<sup>3</sup>

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