Marx, Veblen, and Contemporary Institutional Political Economy: Principles and Unstable Dynamics of Capitalism
Phillip Anthony O'Hara; Cheltenham, UK: Edward Elgar, 2000, xvi + 353 pp., $145 (hardback).
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Philip O'Hara's book is one of the most important works attempting to synthesize the contributions of Karl Marx and Thorstein Veblen in political economy. This is not a history of thought book, but rather a forward-looking book written in a spirit that truly espouses the mission of the International Confederation of Associations for Pluralism in Economics (ICAPE). Had O'Hara written this book twenty or thirty years ago, he would have faced serious criticism by institutionalists and Marxists alike for attempting to do the impossible and for betraying in one way or another the legacy of Marx and Veblen. Times have changed, however, and O'Hara was aware of that in his attempt to set the stage for an ambitious and pluralistic heterodox project to occupy contemporary political economists for decades to come. During the past ten to fifteen years, a new generation of heterodox political economists has emerged, and heterodox ideas from Marxists, institutionalists, post-Keynesians, feminists, neo-Schumpeterians, and social economists began to overlap and complement each other in a way that has never been done before. A new generation is born: the ICAPE generation.

In the introduction, O'Hara states the main thesis of the book. "The central hypothesis is that certain institutional themes within heterodox political economy *complement each other sufficiently* to raise the question of integration and reconstruction for the purpose of providing an historically specific analysis of the evolutionary reproduction of institutions" (emphasis added). By highlighting the similarities and integrating the common ground of neo-Marxism and neoinstitutionalism, O'Hara has made a tremendous service to heterodox political economy for this is the only way to strengthen the field and move it forward toward what O'Hara calls institutional political economy.

O'Hara's book is organized in three sections. The first section explores the common ground between Marx and Veblen in the context of understanding the institutional mechanisms that drive capitalism. The author argues that both Marx and Veblen sought to comprehend the unstable motions of capitalism and its institutions, they acknowledged the institutional contradictions/conflicts that are inherent to capitalism, and they assessed the possibility of transition to socialism. O'Hara recognizes the differences between Marx and Veblen on the feasibility of such transition and the agents that would bring it about, thus giving more weight to Veblen's insightful emphasis on the role of the imbecile institutions such as emulation, consumerism, religion, and patriotism in preventing the workers from leading the way toward socialism. O'Hara (like Paul Sweezy) takes the view that Veblen

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sought to modernize Marxism by making it more Darwinian; he also emphasizes that Veblen in his critique of Marx underplayed the importance of institutions in Marx's analysis of the production process, the circuit of capital, and the credit system. But overall, Veblen's contribution can only be viewed as complementary, and not contradictory, to Marx's analysis of capitalism.

In the second section, O'Hara presents the contemporary linkages between Marx and Veblen by exploring the continuity and integration that were deepened by their followers and became institutionalized through the Union for Radical Political Economics (URPE) and the Association for Evolutionary Economics (AFEE). Here, O'Hara, through an extensive review of the literature, provides a thorough analysis of the contradictory reproduction of institutions within capitalism. A new measure of macroeconomic performance and institutional change is then developed based on Paul Bush's model of instrumental and ceremonial functions of institutions (ICFC), which O'Hara applies to the five institutional spheres (see Bush 1989): family, production, finance, the state, and the world economy. A matrix system is also developed to link the five spheres by showing the relationships among the level of instrumental freedom (LIF); the level of ceremonial exploitation (LCE); and the index of community, warranted knowledge, and participation (ICWP). The model is then used to assess the reproductive limits of the institutions of capitalism, socialism, and fascism and to determine the conditions under which such systems would be regressive or progressive. O'Hara proposes that a team of a hundred Veblenian institutionalists and their research assistants is needed to assess the ICWP model in a small, real-world macroeconomy. This proposal, I suggest, should be taken very seriously for it has the potential to move institutional political economy from the theoretical realm to the social policy arena. I recommend that a grant proposal should be submitted to the National Science Foundation under the auspices of ICAPE with coordinating committees from AFEE and URPE, perhaps with the leadership of Philip Anthony O'Hara.

In the third section of the book, O'Hara examines five major social structures of accumulation (SSA) that characterized capitalism in the 1940s–1990s period: Fordism; post–World War II U.S. hegemony in the world economy; household labor and the family; the Keynesian welfare state; and financial instability, uncertainty, and endogenous credit in the United States. Beginning with the long-wave analysis of Joseph Schumpeter and the Kondratieff waves of David Gordon, O'Hara builds on his thesis of complementarity between heterodox political economy traditions by weaving a feminist approach to household labor and family structure, and the post-Keynesian emphasis on uncertainty, endogenous money, and financial instability, into his explanation of the key features of reproduction of institutions necessary for the capitalist accumulation process. The Fordist SSA, O'Hara explains, was embedded into

> the framework of a technological system of production, the capital-labor truce, a mode of working-class consumption, corporate hegemony, and an institutional system of suburban expansion . . . this SSA contributed to stability, the resolution of class conflict, and profitability during the 1950s–60s. (193)

The author then shows how the capitalist accumulation process led to the dismantling of the SSA as a system of production-distribution-exchange relationships through the inherent contradictions generated by the system, thus leading to a permanent crisis and causing a new SSA to replace the old SSA.

Finally, O'Hara attempts to determine the conditions under which the current "neoliberal system" would form a coherent set of institutions that could be viewed as a new "neoliberal SSA" for the next 20–30 years. For this, he asks five questions (chapter 14): What conditions are necessary for a suitable SSA? Can we study the SSA of a single country, or is a global analysis necessary? What is the relationship between short business cycles and long waves? How do we know which institutional clusters to study in the construction of the SSA? In the course of the evolution of contradictions within the SSA, can policy have an impact on the nature of the institutions? O'Hara concludes that the neoliberal system has considerable contradictions that generate instability (due to the relative increase of power of finance capital over industrial capital), potential class and intraclass conflict (due to the increase of power of capital and global competition), and stagnation of profitability (due to greater competition and lack of effective demand) despite low wages and worsening of labor conditions. Thus, the neoliberal system cannot be considered an SSA. At best, the current neoliberal system could be viewed as an infant SSA that would experience deep recession and great instability. For a stable SSA to develop, O'Hara argues that certain institutional innovations are required: (1) reversing the austerity policies at the global level, (2) creating a global central bank that would act as an international lender of last resort, and (3) developing an "alternative SSA" that would promote cultural and social capital to enhance community and create a new mode of "accumulation" (290).

This book is an excellent resource for students and scholars interested in linkages between institutionalist and Marxist political economy. Readers will find the book thought provoking, intellectually exciting, and, more importantly, optimistic about the possibilities for further development and integration within heterodox political economy. I found O'Hara's ICFC model to be compatible with other areas of research such as the social accounting matrix (SAM) technique and the system dynamics model simulations that many heterodox political economists already view favorably; economists need to explore them a bit further and integrate them into heterodox empirical research.

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Reference

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