

Introduction to the Special Issue on the Myth of Market Economy and its Alternative

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This special feature, which consists of five papers, is based upon a collaborative research project on “The Myth of the Market Economy and its Alternative: Recasting ‘the Social’.” The latter has been conducted over the last three years. The fundamental ideas of the project can be summarized as follows.

First we believe that the process of capital accumulation must be analyzed from the viewpoint of “instability”. Many people have noticed that the market mechanism, which has been imagined as something akin to a “God”, has failed as so-called globalization proceeds. Can the market system work smoothly? No, if anything, it is inherently unstable. We must ask the fundamental question again: “where can we find the origin of the instability of market?” Economic theory could be classified according to the characterization of the market mechanism. When we explore problems concerning the instability of market, it is inappropriate to examine the market economy *in general*. A capitalist economy is not the same as a market economy. We must clarify the character of instability and its mechanism in the capitalist economy as *historical fact*. A capitalist economy is a society which is organized by ‘capital’. The core of economic dynamics exists in capital accumulation. Therefore we must examine the instability of the system based on the accumulation process, or capitalist accumulation (investment).

Secondly, we focus on the relation between the diversity of capitalist economies and the market mechanism itself, and the human behavior, which underlies this. Recently many people have used the expression ‘evolution’ of capitalism. The spectrum of the existing market economies, in which the most important constituent is the market, is determined by the diversity of the type of market mechanism, or the working of ‘capital’. But it is human actors that support the market. We cannot imagine the market without economic agents’ behavior. There might be autonomous movement in the market itself, but the market cannot work independently of agents’ decision making. It is often said that the “market knows everything.” In this sentence the “market” is the *subject*, but in reality by itself it cannot be autonomous. The working of market depends completely upon agents’ behavior. In this sense the market is just *an object*. We have to discuss human behavior *in general*, in addition to the functional analysis of the market. The market mechanism in a capitalist economy must be studied in comparison to that in the different types of economy. It does not mean that the market mechanism is treated as Omnipotent as the neo-classicalists do.

Thirdly we have to propose an alternative to the ‘capitalist’ system as a theoretic-

cal and practical challenge. Are there any measures to overcome its instability? Some argue that the idea that a socialist system can be a powerful alternative is out of date, with the experiment of socialism already finished: “Game over!” We don’t follow this line of argument. Even now we must continue to ask the following questions:

Whether or not we can design an *efficient* socio-economic system where people can enjoy *liberty, fairness and equality*?

Whether or not we can design a *sustainable* socio-economic system where people can take part in the decision process *democratically* and, in addition, people can keep their ‘*human dignity*’.

We must try to answer these questions and at the same time re-examine the basic concepts italicized above. Such questions as “What is the origin of the instability of market?” and “How does the market work?” must be explored in pursuit of proposing an alternative.

There has recently been an upsurge in interest in “institutions” among many schools of thought including neo-classical economics. One of the reasons must be the collapse of the socialist economy. However, such an upsurge in academic interest might be a favorable change. As noted in the first point, most naturally assume a market economy *in general*. They seem to accept that the expression ‘capitalist economy’ is outdated and write only of the ‘capitalist market economy’. Although they may still be useful, we don’t think we must adhere to the orthodox Marxian categories such as ‘social classes’, ‘ownership of production means’, ‘labor value’ and ‘exploitation’. We might say that it is indispensable to clarify the institutional arrangement of the capitalist system in order to understand the essence of the real world.

Specifying institutional arrangements is similar to drawing a border. Facing the crisis in the 1930s: the “market fails!”, and in the 1970s: the “government fails”. This implies that the general equilibrium theory and Keynesian theory were falsified by reality. Nevertheless, in the 1980s and ’90s, there was the attempt to privatize and/or deregulate all parts of the economy as if the general equilibrium theory did indeed hold in the U.S. and U.K. It was a trial of “Dreams come true AGAIN!” Though such an attempt seemed to be successful on the surface, it failed at a deeper level. In this historical context, many are trying to search for a third way, neither based fully on the market, nor reliant on the government. Most of the argument about practical alternatives is confined within the existing social and political framework. In principle political change entails altering the structure which determines how the system itself works. If this is to be possible, in this sense we must reconstruct ‘political’ economy. We must re-draw the border which excludes necessary changes. An answer must be given to the question: who, how and why people behave to re-draw the border.

Now we return to the fundamental question: “economics for what?” and/or “What socio-economic system do we have to pursue?” In this alternative system everyone can enjoy communicating with everyone else irrespective of their race and gender, and can live without subordination to another. Economics must fundamentally be about improving people’s lives, but has recently turned into foolish thinking that can destroy human beings. Apparently we cannot live isolated, or by ourselves. So we cannot lose the human network. In conclusion, we should aim to take the

direction of recasting ‘the social’, based squarely on the so-called ‘failure of the socialist economy’. To this end, we must re-examine the category of ‘efficiency’. We are challenged to design an alternative to capitalism that puts “what should not be for sale: human dignity” at the core of our thinking.

We dedicate these pages to the memory of the late Professor Makoto Noguchi, who was a member of our joint research project and passed away suddenly just after the publication of our book. He had an incisive mind and had always been central in our discussions. We pray his soul may rest in peace.

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