A Biographical Dictionary of Dissenting Economists

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Paul Alexander BARAN (1910–1964) BY *John Bellamy Foster*

Paul Baran, the internationally acclaimed Marxist economist, was born on 8 December 1910 into a Jewish family in Nikolaev, Russia, on the Black Sea. His father was a medical doctor with ties to the Menshevik branch of the Russian Social Democratic party. The chaos resulting from the First World War and the Russian Revolution made it impossible to find a suitable school for Baran to attend and his education up to age 11 was entirely under his father's tutelage. Dismayed by the continuing social disruption following the October Revolution, Baran's family left the USSR in 1921, stopping briefly at his father's ancestral home in Vilna, formerly part of Tsarist Russia and by that time part of Poland. Here his parents assumed Polish citizenship; as a minor entered on his mother's passport, Baran received automatic Polish nationality which he was to retain until naturalized as an American citizen during the Second World War. The family then proceeded to Germany where Baran's formal education began.

In 1925 Baran's father was offered a position in Moscow and his parents returned to the USSR while he stayed behind in Germany to complete his secondary education. Rejoining his family in 1926 Baran enrolled at the Plekhanov Institute of Economics at the University of Moscow. This was the era of the famous Soviet industrialization debates of the 1920s, which were to leave a deep and lasting imprint on Baran's thinking as an economist. However it was also a time of growing conflict within the Communist movement and Baran began to experience 'a strong nostalgia', as he later recalled, 'for the freedom and unfettered intellectual atmosphere of Germany'. In late 1928 he therefore accepted a research assignment at the Agricultural Academy of Berlin and, when this assignment ended, an assistantship with Friedrich Pollock at the famous Institute for Social Research in Frankfurt. There he was introduced to pioneering work in critical theory that had a considerable influence on his own development as a critical theorist in the field of economics.

After finishing his undergraduate studies Baran proceeded to Berlin where he completed a Ph.D. under Emil Lederer, a distinguished socialist economist who was later to found the famous 'university of exile' under the wing of the New School for Social Research in New York. In Berlin Baran met Rudolf Hilferding, author of *Finance Capital* and the most renowned economic theorist in the German and Austrian Social Democratic movements. Baran had by this time affiliated himself with the German Social Democratic party as the most hopeful force for combating Nazism. At Hilferding's urging, he wrote frequently for *Die Gesellschaft*, the official organ of the Social Democratic party edited by Hilferding, utilizing the penname of Alexander Gabriel in order to avoid causing trouble for his parents in Moscow.

After Hitler's rise to power Baran had no choice but to leave Germany, departing for Paris in 1933. In December 1934 he received a visa to visit his parents in the Soviet Union, where he was horrified by the conditions that he found in the midst of the Stalinist purges. Many of his friends and colleagues from his student days had been implicated in either the Trotsky or Bukharin oppositions. As an ex-Communist, Baran himself was highly suspect. Unable to get his visa extended in order to spend more time with his parents, Baran was forced to leave the USSR in January 1935. Returning to Vilna where his uncles had a timber business, he worked for a number of years as a businessman, and in 1938 was sent to London as the permanent representative of the Vilna interests.

Despite success in business, Baran continued to long for an academic career. Efforts to get an academic job in England failed and, seeing the Second World War coming, he took his savings and sailed for the US in October 1939. There he soon gained admittance as a graduate student in economics at Harvard. After completing his Harvard studies he accepted a fellowship at the Brookings Institution for the academic year 1941–42. He then turned to wartime Washington, where he worked successively in the Office of Price Administration, the Research and Development branch of the Office of Strategic Services, the United States' Strategic Bombing Survey in Germany, and finally as the head of the Economic Effects Division of the Survey's mission to Japan. After the war he took a job at the Department of Commerce and gave lectures at George Washington University, finally accepting a position in the Research Department of the Federal Reserve Bank of New York. Baran accepted an offer to join the Stanford economics faculty in 1948, where he was promoted to full professor in 1951.

The hiring of Baran at Stanford occurred a few years before McCarthyism, which was still in its early stages, had cast its full shadow across the university campuses. As the witchhunt grew, Baran – who from the moment Stanford hired him until the time of his death was probably the only self-confessed Marxist economist teaching at a US university – became increasingly subject to quasi-official harassment. Although tenure made it virtually impossible to fire him, he was required to carry heavier course loads than his colleagues and his salary was frozen – a fact that the Stanford administration took special pains to advertise to its potential donors. In his early articles for the independent socialist magazine *Monthly Review*, with which he was closely associated, Baran found it necessary to adopt the pseudonym of 'Historicus'. Nor did these difficulties ease appreciably with the end of McCarthyism itself. If anything, the political pressures on Baran intensified during the early 1960s as a result of his outspoken support of the Cuban revolution. Commenting in 1961 in a letter to a friend on the Stanford administration's persistent efforts to clamp down on him, this time over a recent visit to Cuba, he wrote, '[I]t burns me all up, plays havoc with my nervous system....' Three years later, in 1964, Baran died of a heart attack.

Although Baran was not a prolific writer throughout his career, the last decade of his life was extremely productive in this respect. It was during these years that he wrote his two major books, *The Political Economy of Growth* and (with Paul Sweezy) *Monopoly Capital*, each of which received widespread international recognition as belonging to the very best of the Marxian tradition in the post-war period. Moreover, it was in this last decade that Baran wrote most of the essays later included in *The Longer View* – a rich collection of writings, mainly covering economic topics, but also encompassing such subjects as 'Marxism and Psychoanalysis', 'The Commitment of the Intellectual' and 'The Nature of Marxism'.

The Political Economy of Growth analyses the patterns of development that characterize both the highly industrialized and underdeveloped economies of the modern world. Both a monumental work of scholarship, containing an intricately textured analysis of historical, social and economic events, and a powerful polemic against mainstream development theory, it is one of the classic studies underpinning contemporary monopoly-capital, dependency and world-system theories.

Baran's argument rests on his key analytical category of potential economic surplus. Derived from and presupposing Marx's surplus value, this category adapted Marx's earlier concept to the specific problem of development planning. Two long chapters apply the potential surplus concept to the circumstances of developed monopoly capitalist societies. This analysis was to be elaborated more fully in *Monopoly Capital*. Three further chapters, from which the fame of the work (particularly in the Third World) is largely derived, analyse underdevelopment in the periphery of the capitalist world economy.

Orthodox economics, according to Baran, usually treats the issue of the investment necessary for economic growth as if it were merely a question of the disposal of society's *actual* surplus (or actual savings), defined as 'the difference between society's actual current output and its actual current consumption'. Nevertheless, a complete understanding of the mobilization of economic resources requires the wider conceptual outlook offered by *potential* surplus, defined as 'the difference between the output that *could* be produced in a given natural and technological environment with the help of employable productive resources, and what might be regarded as essential consumption'. Potential surplus, in this sense, can be understood as including both actual surplus *plus* the following elements: (i) society's excess consumption, (ii) loss of output due to the existence of unproductive workers, (iii) loss of output due to irrational and wasteful organization of production, and (iv) loss of output due to open and disguised unemployment. Rapid growth, therefore, depends on successfully tapping those elements of potential surplus that are currently being wasted (and which therefore do not show up in actual surplus), as well as mobilizing surplus currently being siphoned off from abroad. But to address the issue of development in this way is to place under scrutiny the fundamental class relations and dependent international position of Third World capitalist societies.

The value of this conceptual approach was evident in the facility with which Baran was able to counter three of the most important postulates of mainstream development theory: (i) the notion that underdeveloped economies had always been underdeveloped, and were simply in the early stages of economic growth; (ii) the idea that the main obstacle to development is a 'vicious circle of poverty', requiring a diffusion of capital to the Third World; and (iii) the belief that the problems of underdeveloped societies can be traced to a dearth of capitalists or entrepreneurs embodying Western know-how and initiative.

Rather than following the common practice of assuming that the poorer economies of the periphery had always been relatively 'backward', Baran approached the issue historically. 'The question that immediately arises', he wrote, 'is why is it that in the backward countries there has been no advance along the lines of capitalist development that are familiar from the history of other capitalist countries, and why is it that forward movement there has been either slow or altogether absent?' The answer, he suggests, is to be found in the way in which capitalism was brought to these regions during the period of what Marx called 'primitive accumulation', characterized by 'undisguised looting, enslavement and murder', and in the way in which this very process served to 'smother fledgling industries' in the colonized societies. It was thus the European conquest and plundering of the rest of the globe that generated the great divide between core and periphery of the capitalist world economy that persists to this day. In illustrating this, Baran highlights the differing ways in which India and Japan were incorporated into the world capitalist economy, the first as a dependent social formation carrying the unfortunate legacy of what Andre Gunder Frank was later to call 'the development of underdevelopment'; the second representing the exceptional case of a society that was neither colonized nor subject to unequal treaties, and that, retaining control over its own economic surplus, was free to develop along the autocentric lines of the core European powers. The implication of this analysis was clear: incorporation on an unequal basis into the periphery of the capitalist world economy is itself the main cause of the plight of the underdeveloped economies.

The failure of development in the Third World, then, is not the result of 'original underdevelopment' – or a lack of capitalism. Nor, Baran went on to argue, could the failure to develop along European lines be traced to a 'vicious circle of poverty' – or a lack of capital. Even though the amount of actual surplus in such societies is typically small, the potential surplus –

given the extremely low levels of consumption – is such a large proportion of national income as 'to enable them to attain high, and indeed very high, rates of growth'. The key to underdevelopment, according to Baran, lies rather in the fact that the potential surplus that could be utilized for productive investment is to a large extent wasted away by the combined actions of the following class forces: (i) a semi-feudal landed oligarchy addicted to luxury consumption on the most extravagant scale imaginable; (ii) a large, parasitical strata of 'merchants, moneylenders and intermediaries of all kinds'; (iii) a small industrial bourgeoisie forced to subordinate itself to the interests of foreign capital; (iv) foreign multinationals geared mainly to the expatriation of profits; and (v) an overgrown state apparatus compelled to maintain a praetorian guard of hired mercenaries.

By focusing on the appropriation of potential surplus by various class forces in this way, Baran makes it clear that the problems of underdevelopment do not have to do primarily with a lack of capitalists (or entrepreneurs) any more than a lack of capitalism or capital. Rather the real difficulty lies in the existence of an imperialist structure of power in the world economy that places these societies in a situation of dependency, producing a disarticulated class structure which is itself predicated on the failure to mobilize the potential surplus in ways that would promote internal development. Under these circumstances, Baran argues, there is little chance that underdeveloped economies – with the possible exception of large Third World states with sizeable national bourgeoisies and strong anti-imperialist movements such as Egypt and India – will be able to channel surplus into productive areas that will spur development unless they first carry out full-scale, socialist-orientated revolutions aimed at delinking themselves to some degree from the capitalist world economy. In the periphery Baran's message was widely heard. Thus most subsequent Third World revolutionary movements, beginning with the Cuban revolution in 1959, were influenced directly or indirectly by ideas contained in *The Political Economy of Growth*.

Monopoly Capital by Baran and Sweezy was an attempt to elaborate more fully the interpretation of developed capitalism introduced in the relatively unsuccessful early chapters of *The Political Economy of Growth* as well as in Sweezy's *The Theory of Capitalist Development* (1942). It quickly gained a reputation as the most important attempt thus far to bring Marx's *Capital* up to date, modifying Marx's original analysis where necessary to account for the monopoly stage of development. It also represented an important critical departure from the prevailing Keynesian orthodoxy in macroeconomics – reflecting the alternative approach associated with such neo-Marxian (and post-Keynesian) thinkers as Michal Kalecki and Josef Steindl.

At the core of *Monopoly Capital* was the thesis that Marx's fundamental 'law of the tendency of the rate of profit to fall' associated with accumulation in the era of free competition, has been replaced, in the more restrictive competitive environment of monopoly capitalism (in which a handful of giant firms tend to dominate key industries), by a law of the tendency of the surplus to rise (defining surplus in terms similar to Baran's potential surplus). Under these circumstances, the critical problem is one of surplus absorption. Capitalist consumption accounts for a decreasing share of capitalist demand as income grows, while investment is hindered by the fact that it takes the form of new productive capacity, which cannot be expanded for long periods of time independently of final wage-based demand. Despite the ever-present possibility of new 'epoch-making innovations' emerging that could help absorb the potential surplus, such innovations – resembling the steam engine, the railroad and the automobile in their overall effect – are few and far between. Furthermore, 'foreign investment, far from being an outlet for domestically generated surplus, is a most efficient device for transferring surplus generated abroad to the investing country'. Hence, Baran and Sweezy conclude that the system has a powerful tendency towards stagnation, largely compensated for thus far through the rise of various countervailing factors divorced from the logic of accumulation itself, such as the growing sales effort, military spending and financial expansion. All such factors however are self-limiting and can be expected to lead to a doubling-over of economic contradictions in the not too distant future.

From the standpoint of its authors, the originality of *Monopoly Capital* lay not in its analysis of the stagnationist tendency itself (which had been thoroughly explored in the 1930s) but rather in its account of those countervailing factors that had allowed capitalism to prosper after the war. These included (to amplify on elements already mentioned above) such key historical eventualities as: (i) the epoch-making stimulus provided in the 1950s by the second great wave of 'automobilization' in the US (which should be understood as also encompassing the expansion of the steel, glass, rubber and petroleum industries, the building of the interstate highway system and the stimulus provided by the suburbanization of America); (ii) Cold War military spending, including two regional wars in Asia; (iii) the growing wasteful penetration of the sales effort into the production process; and (iv) the vast expansion of the credit-debt structure of the capitalist economy, to the extent that it eventually began to dwarf production itself. By analysing the way in which the surplus left its statistical trace in these and other areas, Baran and Sweezy enlarged the usual context of economics to take into account its wider historical setting.

The reemergence of conditions of economic stagnation in the 1970s, not long after *Monopoly Capital* was published, and the conjunctural response to this crisis by the dominant interests of the advanced capitalist world in the 1980s – involving a combination of global supply-side restructuring, huge military outlays and hyper-financial expansion – clearly pointed to the continuing relevance of this type of historical approach.

Baran and Sweezy thus made it clear that there was much more at stake in the analysis of the economy than the rate of growth, the rate of profit or the level of employment. The stupendous waste of society's surplus that had allowed capitalism to counter growing problems of surplus absorption should not be condoned, Baran was wont to point out, even when it does temporarily serve to prop up an economy that would otherwise visibly stagnate. The hunger of most of the world's population, the persistence of exploitation, poverty and alienation in the advanced capitalist world, and the squandering of precious intellectual, artistic and scientific achievements mean that the politicization of the way in which surplus is utilized will remain an urgent task for society and the key to rational, anti-capitalist struggle.

Given his background, it is perhaps not surprising that Baran was also an important analyst of the Soviet economy over the course of his career. While a devotee of national economic planning he remained a critic of what he called 'Stalinist terrorism' and hoped for the development of a 'free, socialist democracy' in the USSR. With respect to the Soviet, East German, Czechoslovakian, Hungarian and Polish economies he argued in 1962 that these had industrialized to the point that they must now necessarily abandon 'the "forced marches" characteristic...of the Stalin era; they *must* greatly liberalize the economic and social conditions prevailing in their societies if further economic, cultural and political advancement is to be assured. For here, as elsewhere, there is a powerful dialectic at work: the very system of extreme pressure on consumption, of unquestioned subordination to authority, and of rigidly dogmatic concentration on principal targets, which was imposed by Stalin and which enabled the Soviet Union to get over the "hump" of initial industrialization has turned, in the current phase of history, into a prohibitive obstacle to further economic and social growth' (1969).

It was this kind of unswerving commitment to what Baran himself called 'the confrontation of reality with reason' that no doubt partly explains John Kenneth Galbraith's remark in his memoirs that 'Baran was one of the most brilliant and, by a wide margin, the most interesting economist I have ever known'.

Baran's Major Writings

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Amit BHADURI (born 1938)

After finishing an elementary science degree from Presidency College, Calcutta – it used to be called Intermediate Science in India in those days – I joined the Economic Honours course in the same college in 1958. I had very little idea of Economics as an academic discipline. Looking back, it is not entirely clear to me why I decided to study Economics though I recall one personal reason: it was my disinclination to spend long afternoons doing experiments in the laboratories. The other more serious reason was the social milieu. The air was charged with a lot of left-wing political slogans in those days, and in middle-class Bengali homes it was not unusual to have frequent political discussions. The college union elections were also supposedly fought on 'ideological' grounds. In such an atmosphere, studying Economics was intellectually 'fashionable' and I also felt that it would give me a better grasp of political issues. I do not think at this stage that I was either serious or mature enough to distinguish between 'understanding' and scoring debating points among friends.

Teaching of Economics was of a high standard in Presidency College. In particular, Professor Bhabotosh Dutta who taught us mostly microeconomics, was one of the best teachers I have ever had. His lectures gave me an idea of the logical structure of the subject. But the academic programme in Presidency College, like elsewhere, hardly gave us any sense of social realism. Economics became largely a matter of understanding logical arguments without questioning their relevance. Even the teaching of Indian economics hardly helped matters in this respect. When I graduated from Presidency College in 1960 I had unknowingly accepted Economics as a subject where logical refinements of arguments, irrespective of their relevance, served as the governing principle.

After spending a few months at Calcutta University, I went to do the short (two-year) Economics Tripos at Cambridge where a number of well-known British Keynesians were teaching at that time. My first impression was that they lectured in a peculiarly unsystematic manner, each following his or her own line of thought. This was very different from the teaching I had been used to in India. Kaldor was an exciting lecturer and certainly brought a sense of relevance to economic theory which I had previous missed. Kahn I