

Heterodox Economics Newsletter

LOS COSTES SOCIALES DE LA EMPRESA PRIVADA (ANTOLOGÍA), by K. William Kapp. Coleccion Clasicos del Pensamiento Critico, No. 14, edited by Federico Aguilera Klink. Madrid: Los Libros de la Catarata, 2006. ISBN: 84-8319-264-0; 137 pages.

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The book is a collection of important chapters from ‘The Social Costs of Private Enterprise.’ It was originally published in 1950 and was revised and republished as ‘The Social Costs of Business Enterprise’ in 1963 by Karl William Kapp, an institutional economist. The book features an introduction to Kapp’s work and its relevance to ecological economics by the editor, Federico Aguilera Klink, an institutional economist who has worked on ecological problems since the 1980s. The chapters of the book are the *Introductions* to the first and second edition, *Economic Analysis and Social Costs*, *The Nature and the Significance of Social Costs*, *The Social Costs of Water Pollution*, *Social Costs and Renewable Resources*, *The Impairment of the Human Factor of Production*, *The Social Costs of Cut-Throat Competition*, *Planned Obsolescence and Sales Promotion*, and last but not least *Towards a New Science of Political Economy*.

The publication is relevant to heterodox economists because it serves as a reminder that the global environmental crisis is one of today’s most pressing problems, and that it is a social cost of modern capitalism. This book also gives heterodox economists a chance to revisit Kapp’s prescient theory of social costs that addressed these problems long before mainstream economists. Due to the editor’s selective approach and his introduction, instructors of heterodox ecological economics may find it a useful source for their students. Published in the collection of *The Classics of Critical Thought* next to names such as P. Kropotkin, A. Gramsci, and M. Luther King, this book has the potential to attract readers in the Spanish speaking world, and from outside of academia to Kapp’s work and heterodox economics. Kapp’s accessible writing style, concrete material, and surprisingly modern analysis make his works easy reads. The new Spanish translation corrects important mistakes made in the 1963 Spanish translation.

Klink succeeds in selecting those chapters of Kapp’s famous work that showcase his important methodological and conceptual contributions, and the power of his heterodox analysis. The latter lies in understanding environmental problems not as occasional side effects, but as the systematic result of what Veblen called the *system of business enterprise*, and the ‘industrial-growth-first’ dogma. Heterodox economists that read this book will explore how Kapp’s theory of social costs provides him with a tool to evaluate the social performance of the economic system. One minor improvement could have been achieved through incorporating Kapp’s long introduction to the 1971 publication of the *unrevised* original text of ‘The Social Costs of Private Enterprise’ (1950). Unfortunately, even though it contains several latter day developments in Kapp’s thought, this text is rarely referenced.

Kapp’s final chapter, *New Science of Political Economy*, as well as Klink’s introduction illustrate that Kapp’s approach still provides the only theoretically sound and practically feasible solution to the problem of social costs. Kapp rejects the utilitarian

principle of the Pigouvian and Coasian solutions, i.e. evaluating social costs via the willingness to pay, and argues for the socio-political evaluations of environmental values. The latter are social use values that lie outside the market and cannot be adequately reflected in terms of exchange values. This argument goes back to Kapp's 1936 dissertation that contributed to the European debate on socialist accounting in the 1920s and 30s that illustrated the compatibility of a planned economy and foreign trade, and pointed out the limits of accounting in exchange values. Modern day welfare economists approach the degradation of the human environment by using what Kapp called the arbitrary method of assigning exchange values to losses of social use values. In this sense, the mainstream has yet to catch up with the Political Institutionalism of Kapp's *social minima approach*. A proposal that used alternative criteria for environmental planning based on substantive exigencies of human health, and sustainable social reproduction. By applying politically determined social minima and maximum tolerance levels that are informed by scientific results, this approach constitutes a fundamental break with the utilitarian principle.

In describing Kapp's special situation as a refugee from Nazi German coming to the US in the 1930s, the introduction elaborates how this influenced his idea to publish an account of social costs that are comprehensive 'mirror images' of social losses caused by the economy of the United States of America. The introduction also points out how far ahead of his time Kapp was, and how he persistently carried out his research agenda despite being ignored, and then attacked by mainstream economists. Today Kapp's work is experiencing a revival, for example, the 2007 annual meeting of the European Society for Ecological Economics devoted an entire session and parts of a plenary session to Kapp's work. This recognition is an inspiration for contemporary heterodox economists who share Kapp's experience of being ignored and attacked. Klink's anthology clearly meets the conference demands, as expressed in the plenary presentation by the leading ecological economist Clive Spash: *'much of Kapp's work could be published the same way again today.'*