

The Logical Critique of Efficiency

“Efficiency”: Whose Efficiency?

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I. The concept of “efficiency” common to most contemporary economic theories holds that analysis can and should determine the net balance between positive and negative effects of any economic act, event, or institution. Sometimes, in practical economic applications, this same notion of efficiency refers to “cost-benefit” analysis. A quantitative measure of all the positive and negative effects of an economic act, event, or institution is undertaken to determine whether, on balance, the positives (benefits added up) outweigh the negatives (costs added up). If so, it is judged to be “efficient” and should be undertaken; if not, the reverse holds.

Such a definition and use of the term “efficiency” prevails at both the micro and macro levels of social and economic analysis. The building of a factory extension may or may not be *micro*-efficient. An interest rate increase may or may not be *macro*-efficient. At the level of society as a whole, the institution of a “free market” may or may not be efficient. This same efficiency concept serves in comparative economics. Two or more alternative acts, events or institutions are compared as to their efficiencies. Then, the one that has the greatest quantitative net balance of positive over negative aspects is designated the “more/most efficient.”

II. Such a concept of efficiency requires and presupposes, in all its usages, a rigidly and simplistically determinist view of the world. That is, it presumes that analysis can and does regularly (1) identify all the effects of an economic act, event, or institution, and (2) measure the positivity/negativity of each effect.¹ In sharp contrast, an overdeterminist view of the world renders that concept of efficiency absurd.² In this view, any one act, event, or institution has an infinity of effects now and into the future. There is no way to identify, let alone to measure, *all* these consequences. No efficiency measure – in any comprehensive, total, or absolute sense – is possible. Thus, none of the efficiency “results” ever announced, however fervently believed and relied upon for policy decisions, possessed any comprehensive, total, or absolute validity.

Overdeterminism undermines the efficiency calculus and the absolutist claims made in its name in yet another way. When considering the “effects” of any particular economic act, event, or institution,” an overdeterminist standpoint presumes that each of such effects actually had an infinity of causative influences. The “effects” can thus never be conceived as resulting from *only* the one act, event, or institution chosen for the efficiency analysis. What efficiency analyses deem to be “effects” of a particular act, event, or institution are never reducible to being solely *its* effects. Hence, such “effects” can not and do not measure the “efficiency” of any particular act, event, or institution.

This too renders the usual efficiency calculus and the efficiency concept null and void.³

III. It follows logically that all efficiency analyses and results are relative, not absolute. They are relative to (dependent upon) a determinist view of the world, a determinist ontology that presumes unique causes and “their” effects. Efficiency as a comprehensive, total, and absolute concept-cum- policy standard has no validity in and for analysis that presumes an overdeterminist rather than a determinist ontology.

IV. To say that all efficiency analyses are relative to a determinist ontology opens the way to a further critique of them. Given their notion of cause and effects, they all necessarily *select* a few among the many effects they attach to any particular act, event, or institution whose efficiency they choose to determine. No efficiency calculus could ever identify and measure all such effects. What distinguishes one efficiency analysis from another are the different principles of selectivity informing each.⁴ Usually, one principle of selectivity reigns hegemonic: one set of selected effects is deemed “important” and worth counting while others are marginalized or ignored altogether. These days, economics textbooks teach their readers which effects are to be considered in “applied economic analysis.”

This has often provoked criticism. Feminist economists have shown how the hegemonic efficiency calculus has usually ignored the effects that pertain to women, households, reproduction, children, and so on. Likewise, environmentalist economists have shown how the hegemonic efficiency calculus has ignored ecological effects, and so on. All too rarely have such critical economists gone beyond the demand that formerly ignored effects be henceforth added to those selected for inclusion in the hegemonic efficiency calculus. That is, their critique of the hegemonic principle of selectivity has focused chiefly on getting their preferred effects included within the hegemonic set. The same applies to much Marxist work. It seeks to challenge the hegemonic efficiency calculus by showing especially how it ignores all sorts of class effects of economic acts, events, and institutions.

Yet all such critics could deepen and strengthen their arguments if they took the next step to challenge the hegemonic efficiency calculus per se on conceptual grounds. The relativism of all efficiency arguments and claims creates vulnerability for them and critical opportunity for those who challenge them. From an overdeterminist perspective, the economy is an object of struggle among historically conditioned social groups. As such groups emerge within the circumstances of their time and place, they develop particular understandings of their problems and devise different programs for their solution. In so doing, they inevitably concentrate on some problems rather than others (and the causes associated with them), conceive and decide among some solutions rather than others, attribute some (rather than others) effects to such solutions, and so on.

When formalized into “efficiency calculi,” the different social groups perform them differently: they operate different principles of selectivity in identifying their problems and solutions, their causes and their effects.

These groups often clash. Struggles emerge that usually include conflicts over which principles of selectivity will govern the analysis of problems and solutions, which principles of selectivity will be hegemonic in their society and hence in their efficiency calculi. Each group tries to impose its particular principles of selectivity, its particular efficiency calculus, by transforming it into the *absolute* set of principles of selectivity for all efficiency calculi for all members of the society. In place of contending efficiency calculi there is to be one calculus to which all social conflict is to be subordinated: social conflict is to be resolved by determining what is *the* efficient policy or program to follow. Advancing their own particular efficiency calculus as if it were the absolute notion of efficiency is thus one form taken by the social struggle for hegemony among contending groups. In today's world, the hegemony of social groups favoring capitalism is expressed and sustained by their heavily promoted presumption of an absolutist concept of efficiency and by policy decisions legitimated thereby. Not surprisingly, that absolute concept turns out to be their particular principle of selectivity.

V. An overdeterminist critique of efficiency focuses on deconstructing the claim that any one efficiency calculus – one subset of the countless effects attributed to any act, event, or institution – has some absolute or socially neutral validity. There is no single standard of efficiency. Society always displays different, alternative understandings of and solutions for society's problems. Different social groups struggle for their alternative social programs utilizing an arsenal of weapons that includes, for many, their respective efficiency calculi. When and where an absolute efficiency calculus is believed to exist, there one particular efficiency calculus and one particular group (or set of groups) has established its hegemony over others. Success in the struggle by those others to undo that hegemony requires undermining its absolutism as a key component of that struggle. An absolutized efficiency calculus will be used by the social groups that support it as a weapon to suppress contending social groups, their social analyses, and their programs for social change.

Notes

1. The discursive ploy of retreating to the notion that efficiency analysis identifies and counts only the "most important" or "relevant" effects does not escape the problem. This ploy presumes, once again, that an analyst can know which of the effects are "the most important" or "relevant." To know that requires knowing all the effects, i.e. knowing that *all the other* effects are unimportant or irrelevant.
2. For a definition and discussion of overdetermination as used here, see S. Resnick and R. Wolff, *Knowledge and Class: A Marxian Critique of Political Economy*. Chicago and London: University of Chicago Press, 1987.
3. This applies to Pareto "optimality" as well. One can never know *all* the consequences of an economic situation so as to determine whether one person is better off and no-one is worse off. Likewise, one cannot know, let alone measure, *all* the utility losses to determine whether they might even hypothetically be compensated by all the gains.
4. Thus, efficiency calculi are relative also in a second way: they are relative to the particular subset of attributed effects that they select to consider.

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