

INTEGRAL POLITICAL ECONOMY

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ABSTRACT An integral political-economic framework is developed first with a quadrant analysis of the economy. The analysis contains a novel separation by quadrant of the effects that either encourage or discourage economic development. It is then shown what quadrant aspects are recognized or emphasized by liberals and conservatives. A review of the Integral approach to capital then allows for the integration of the radical view. Political-economic understanding is then proposed as a learning line of development where conservative, liberal, or radical emphasis in agents is associated with their political-economic personality types. Distinctions are made between less and more mature versions of each type. Finally, an immature/mature fallacy is discovered where more mature views are often mistakenly reduced to less mature versions of that type by less mature views of another type.

KEY WORDS: capitalism; economics; globalization; Integral Theory; politics

We are living in a unique time in economic history. The American and global economies have just been tested by a severe financial crisis, what analysts are calling the worse shock to our financial system since the Great Depression. The financial crisis only adds to other challenging concerns of the day—worries such as income inequality, global environmental degradation from our production processes, the controversies of international trade, and polarized political decision-making. Workers are also expressing the desire for more meaningful work.

These issues bring to our awareness the necessity to examine our economic institutions and their relations to the world. The Integral approach teaches us that as the limitations of existing societal structures become more evident, new, powerful opportunities arise for the evolution of our collective consciousness. And there is no better time than a crisis to focus the public attention and generate political will for a way forward. But, a delicate balance is needed. Institutions must widen opportunities to benefits from our expanding, information-age technologies. They also need to discourage exploitation of resources and curb the motive for the short-run gain of the relatively few. Yet, this needs to happen concurrently with expanding the benefits of wealth creation and without endangering our unprecedented level of current global development.

Without a map to simplify these complex issues, there exists an inherent danger that the bewilderment and exasperation from these problems may bring out our baser urges—our less mature tendencies, no matter whether our political leanings are conservative, liberal or radical. As such, I will use the main components of Ken Wilber's AQAL model (1995), namely quadrants, levels, lines, states, and types, to develop an Integral framework for, and expanded understanding of, political economy. This framework is developed first with a quadrant analysis of the economy in section 1, which discusses the quadrants emphasized by conservatives and liberals and provides useful background information needed for non-economists. A review of the Integral approach to capital in section 2 then allows for the integration of the radical view in section 3. Distinctions are made in section 4 between less and more mature versions of conservative, liberal, and radical views. Political-

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economic understanding can then be proposed as a learning line of development, where conservative, liberal, and radical are personality types. An immature/mature fallacy, a new variant of Wilber's pre/trans fallacy, is presented in section 5, where more mature views are often mistakenly reduced to less mature versions of that type by an immature view of another type. The inclusion of types within a line of development shows that fallacies related to vertical development can be more prevalent than previously recognized, and it demonstrates the importance of reconciling paradoxical partial truths of a given level for vertical development. Section 6 concludes that the integral political-economic framework can encourage a healthier political-economic discourse. In the subsequent article of this issue (Bowman, 2010a), I apply the integral political economy model to the financial system and argue that immature tendencies within both conservatives and liberals are at the origin of the financial crisis of 2008-2009.

1. The Four Quadrants of Integral Economic Analysis

I will utilize an alternative version of the quadrants to demonstrate the primary areas of focus for conservative, liberal, and radical economic ideologies, but I begin with only a distinction between conservatism and liberalism. In the sense that conservative or liberal political-economic agents tend to see different aspects of existing economic reality, this is an extension of Integral Politics as developed by Ken Wilber and Lawrence Chickering (Wilber, 2000a), but only an extension of what is usually considered the economic, rather than the social, realm of public policy. So this article deals with issues such as efficient market allocation versus government intervention to correct market failures while ignoring other political issues such as abortion or homosexual rights.¹

In this quadrant analysis, I use the *internal-external* rather than the interior-exterior duality as the horizontal axis (see Fig. 1). Excerpt C from Wilber's draft of *Kosmic Karma and Creativity* (2002) devotes a section to the internal-external and inside-outside dualities. The field of economics relies heavily on the internal-external pair, but its meaning matches Wilber's use of inside-outside rather than internal-external. I will follow the nomenclature of economics such that my use of internal-external matches Wilber's use of inside-outside.² To clarify the distinction between internal and external, consider an auto firm that pollutes in a river, but is not forced to pay the city for the extra cost the automobile market imposes on the city for filtering the pollutants in the water. The firm does pay for other costs of production such as labor costs. The price per car therefore will typically include the labor costs per car but not the pollution cost per car. So the labor cost is internal to the market transaction because the auto price covers this cost and the firm pays the laborer for the labor effort. The pollution cost, on the other hand, is not born by the consumer because the firm does not pay the city to cover the cost. Therefore, the pollution cost is external to the auto market. This internal-external duality is different from an interior-exterior duality, so the four quadrants in this analysis are an alternative version from the quadrants that most integral scholars are used to. It is important not to use the internal-external duality interchangeably with the interior-exterior one. The interior *and* exterior of the pollution molecules are *external* to the market transaction, while the labor cost associated with hiring the interior *and* exterior of workers are *internal* to the market transaction (one cannot depend on the body of the worker without that worker also using his or her consciousness to make decisions or follow rules; this formulation does not deny the possibility that a worker's entire interiority is only partially utilized). When it is necessary to do so, I make distinctions between the interior and exterior of economic agents in later sections.

The individual-internal quadrant of Figure 1 represents the market interactions among relatively individual holons and their effects that are internal to these interactions. Effects that spill over beyond the market to bystanders (other individual holons who are not voluntarily part of these interactions) are located in the indi-

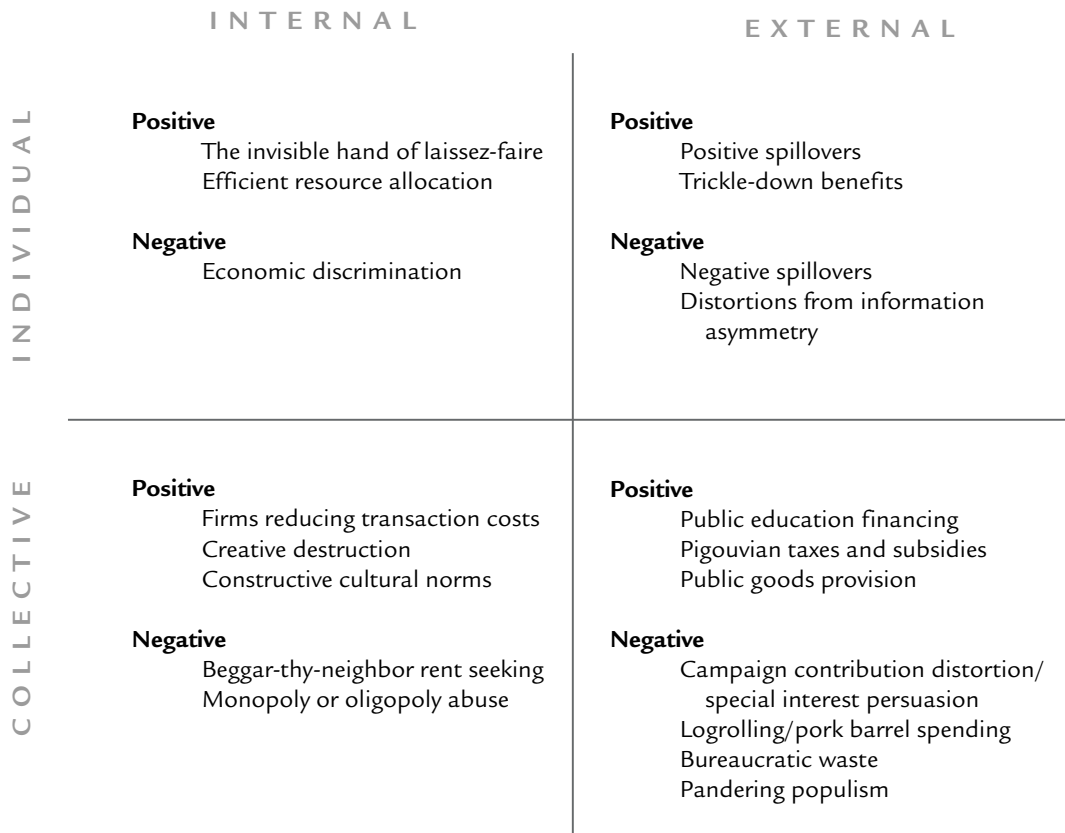


Figure 1. Positive and negative economic effects by quadrant.

vidual-external quadrant. The collective-internal quadrant comprises market-system effects confined to collectives relatively voluntarily engaged in the private market, while the collective-external quadrant consists of sociocultural actions or effects not fully captured by those voluntarily interacting in private markets. This collective-external quadrant will include governmental actions since the public sector can be a non-market means of influencing resource allocation. In fact, both social and cultural aspects can be found in each of the collective quadrants because we are differentiating here the internal-external duality, not the interior-exterior one. Without a balanced awareness and treatment of these four dimensions, polarized and ultimately unproductive economic debates tend to arise when parties overemphasize one pole of a duality over another.

We will see that, as it turns out, conservative advocates of free markets emphasize the negative aspects of the collective-external quadrant and positive aspects of all other quadrants. Liberal advocates of government intervention stress the opposite, or the positive aspects of the collective-external quadrant and negative aspects of all other quadrants. I will specify major, rather than exhaustive, positive and negative aspects of private and public sectors. Essentially, radicals focus on the negative aspects of all quadrants under the specific stage or system of capitalism, a point to be incorporated in section 3.

Conservative Advocacy of Free Markets

Advocates of free markets emphasize the value of private, individual pursuit of self-interest through private-market transactions, which may contribute to efficient resource allocation and social welfare, a process first described as “the invisible hand” by Adam Smith (1776/1904). The process is possible when costs are in-

ternalized by private sellers, and the benefits are internalized by private buyers in free markets. Resources are directed through market mechanisms where private net benefits are maximized for, potentially, efficient resource allocation. The profit incentive encourages cost reductions and the creation of new products to meet buyers' needs. Smith was responding to the negative consequences of government over-involvement in economic affairs during mercantilism, a period characterized by government support of monopolies and high import tariffs. Thus, Smith's response was not made without reference to the degree of government involvement at the time. Smith even acknowledged an economic role for government and the value of moral behavior.

Today we recognize the negative consequences of government involvement as government failures. Competing *special interests* lobby policymakers and make *campaign contributions* to political candidates for special treatment. Politicians also engage in *logrolling*, the trading of votes for political expediency. These factors may result in *pork barrel spending*, where government expenditures have social costs that exceed social benefits. What may also result is a patchwork of regulations often designed to favor the most influential yet narrow interests rather than for the good of the whole. Also, efficient management of government operations tends not to be rewarded, unlike the case for efficient firms that may have larger short-term profits as a result. So governments tend to be inefficient stewards of budgets, what we can call *bureaucratic waste*. Lastly, *pandering populism* may result with a policy that is initially popular, but one that misallocates resources in an attempt to solve market problems without regard to their economic consequences.

Conservatives stress that private, unregulated markets result in the beneficial formation of collective economic agents or firms. According to Ronald Coase (1937), these firms create hierarchies to internally make products when they can do so more cheaply than relying on markets for these products externally. Therefore, firms may reduce transactions costs. The voluntary formation and actions of firms contribute to *creative destruction*, a process coined by Joseph Schumpeter (1942/1975). In his view, new products and cost-saving processes create temporary profits, creating new forms of wealth. Above normal profits induce new suppliers to enter these markets, lowering prices and profits, which ensures that the benefits of the initial advances are felt by consumers. Further improvements are made that render previous processes less profitable. Beyond the benefits that accrue to consumers and producers within particular markets, there are also spillover effects. Major innovations like standardized parts or the assembly line might be copied and applied by others in unrelated parts of the economy. These are examples of *positive spillovers*, also known as positive externalities. Creative destruction and positive spillovers from market innovations have been seized most famously by U.S. President Ronald Reagan's *trickle-down economics*. A less progressive tax code was justified, in part, by the argument that the poor eventually benefit from the initial income creation of the more affluent. Overly burdensome tax rates, conservatives argue, discourage the kinds of investments and labor effort that eventually benefit all.

We will see that conservative arguments can be rigid and abusive when they deny or discount the problems of over-reliance on private markets. In the end, though, it is evident that free markets must be part of resource allocation since markets in many ways efficiently allocate a dizzying mix of inputs and outputs that satisfy diverse needs of consumers. Given the extreme complexity of the economy, there is little doubt that to a considerable degree, the power of free markets must be allowed to work.

Liberal Advocacy of Government Intervention

Mainstream economic theory also acknowledges market failures, which we orient here by a four-quadrant investigation of the liberal advocacy of government intervention. During this presentation, we will be reminded

that economic liberals focus on the positive aspects of the collective-external quadrant, and the negative aspects of the remaining quadrants.

Recall the case in which pollution was external to the market. It is an example of a *negative spillover* (i.e., negative externality) from market participants because the cost of pollution is not borne by consumers or the producers of the goods that create the pollution. The negative effects spill over adversely to external individuals in the individual-external quadrant. To remedy this, a collective solution to deal with the externalities of market transactions is required. Economist Arthur Pigou (1920/1932) was the first to suggest a solution utilizing corrective *taxes and subsidies*. Taxing pollution and subsidizing cleaner alternatives are a collective response that internalizes the cost for suppliers and consumers since they now have an incentive to employ or consume less polluting production methods and products. By taxing carbon and subsidizing clean alternatives, Denmark achieved a 15% reduction of carbon emissions from 1990 to 2005 without relying on nuclear energy. They did so during a period of strong economic growth as their companies were not put at a competitive disadvantage because those carbon tax revenues were given back to firms that were environmentally innovative (Prasad, 2008).

Corrective taxes can also include taxes on depleting natural resources to encourage their more sustainable use (as followers of Henry George [1879] argue). These taxes and subsidies (and sufficiently strict cap and trade schemes to deal with pollution) are examples of government measures justified by market failures, but ones that still harness the power of market mechanisms. These corrective actions can be imposed externally and collectively by the government on market participants. Government action is not always needed. In some instances, *cultural norms*, such as the expectation that people do not litter in public places or risk public scorn, arise to discourage negative externalities. Conservatives tend to point out these cultural, non-governmental remedies that are positive aspects of voluntary internalization through private, collective action in the collective-internal quadrant.

Ideas from university research, with no immediate commercial value, along with infrastructure like ports and roads, are “goods” that cannot be provided by private markets because producers cannot recoup the costs if they tried to sell them to private buyers. Goods such as these are called *public goods* because they tend to be non-excludible (one cannot be excluded from using a good idea or a public park) or non-rivalrous (one’s use of the idea or park does not preclude another’s use). Public goods warrant government involvement because there is a free rider problem if we leave it to the private sector entirely. People may not disclose their willingness to help purchase these goods if they can wait for others to provide them, in which case everyone can use them, not just the buyers. Without sound government to overcome market failures, free market economies tend not to grow sustainably. Each stage and sub-stage of economic development is likely to have the need for new public investments that, if left unfunded, would leave the return on correlative, complementary private investments prohibitively low. For example, as development has proceeded, consider the importance of at least partial government involvement in the provision of canals, railroads, highways, airports, and early Internet infrastructure, or the advances to scientific understanding financed by government grants.

With partial truth, liberals tend to view free-market organization in a harsher light as compared to conservatives—“good-old boy” networks are seen as discriminating against ethnic minorities, women, and homosexuals in employment practices; large firms are seen as leveraging their monopolistic or oligopolistic power to seek above-normal rent than what would prevail in competitive markets. Other issues, however, may justify large firms, as conservatives are likely to point out. With increasing returns to scale, larger, more complex firms may have lower unit costs and be capable of charging lower prices. A liberal tendency is to see the large

firm as undercutting the prices of start-ups, only to raise prices after driving out competition, thereby inhibiting the process of creative destruction. So there is a need for government regulators to balance the benefits and costs of firm size when, for example, they review merger proposals. Liberals are also concerned with large firms exploiting labor. When labor markets are not competitive and when there is not adequate information of employer-provided safety and worker mobility, firms do not have to pay a premium for their unsafe workplace (what we can call *distortion from information asymmetry*). This may warrant government-created and enforced safety standards.

Conservatives will warn against the unintended consequences of governmental action. Rather than ascribing poor governmental policies to the structure and limitations of government itself or by pressure from voters, liberals will tend to blame the business elite that distort policymaking through their *beggar-thy-neighbor rent seeking*, which is the attempt to influence public policy (such as antitrust, tax, subsidy, and environmental policy) to gain an advantage at the expense of another group. Narrow self-interest, however, also emanates from consumers and voters when they provide support for populist, but distortionary policy (again, price controls provide an example in section 4).

Since advocates of government intervention emphasize the positive aspects of the collective-external quadrant, they seek to actively encourage positive spillovers that would not otherwise occur with free markets and discourage negative spillovers that do. *Public financing of education* will provide an important example of government stimulation of positive externalities in the next section. Advocates of free markets are not confident of government competently intervening, so to the extent they acknowledge spillovers, they emphasize the ones that positively emanate from voluntary market transactions (e.g., the previously discussed benefits related to trickle-down economics). Yet, despite governmental failures and some policies that have worsened economic outcomes, it seems clear that developed countries would not have become developed had they not overcome some serious market failures by providing mass education, public goods, legal protections, and relatively sound regulation. Global warming, natural resource depletion, and loss of biodiversity are some serious and current issues related to market failures justifying greater government involvement.

2. Altitude by Capital Type

The next critical feature of the Integral approach needed for our political-economic analysis is levels of development, or altitude, a feature not currently well understood by economists. Throughout human history, development has proceeded through about four major socioeconomic stages. Wilber (1995) correlates these stages with other lines of development in at least four dimensions of reality. These dimensions are disclosed with the original and typical use of the four quadrants, where the *interior-exterior* duality (rather than the internal-external one) is used as the horizontal axis of Figure 2 along with the individual-collective duality. The individual-interior quadrant includes individual consciousness, intentions, and feelings, while the collective-interior includes mutual understanding, shared meaning, and values.

Sociologist Gerhard Lenski described the socioeconomic stages as unfolding from foraging to horticultural to agrarian to industrial, as seen in the Lower-Right (LR) quadrant of Figure 2. A new stage called *informational* is now emerging. When placed in the LR and correlated with the other quadrants, these socioeconomic systems represent the collective-exterior aspects of human development. The LR also represents the interconnection of objects that make up the social and economic system versus the collective-interior subjects, which would comprise the stages of cultural values. Therefore, the LR is often referred to as dealing with interobjectivity and the Lower Left (LL) with intersubjectivity. The individual-exterior quadrant represents the body

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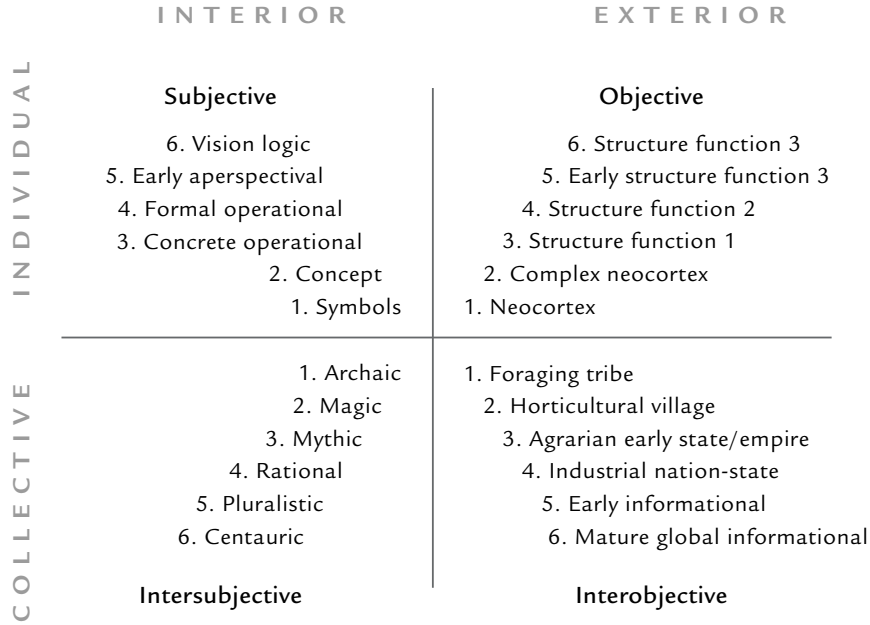


Figure 2. Levels in the original four quadrants.

and brain of humans as they develop. Higher stages within this quadrant imply more complex physiological and neurological function that allows for correlatively higher stages of consciousness in the Upper-Left (UL) quadrant.

Practicing developmental economists, not necessarily leading economic theorists, have tended to view development as one movement: from traditional and agrarian to developed and industrial societies. For proof of this, consider the consensus among international development agencies over the past 50 years known as the Washington Consensus (as described by William Easterly, 2002), which can be summarized as promoting the need to establish private property rights and free markets to encourage investments into the heavy machinery required for movement into the industrial stage. Morris Altman (2008) provides evidence that property rights and minimal government involvement cannot be the whole story for explaining development. The Washington Consensus, which reflects a stunning conservative bias, is a flawed prescription for development.

Although the economics literature has always had a conception of the importance of educated workers (even Adam Smith, the founder of economics, wrote of it), the first formal economic growth models of the 1940s and 1950s suggest that firms have only two inputs that they can employ, neither of which require education investment. The first input is undifferentiated labor and the second is physical capital, which refers to buildings and equipment. The inputs derive from the historical perspective and emphasis of economics during modernity, where economists mainly recognize individuals’ exteriors, such as their bodies or behavioral capacities, and the economic system’s exteriors, mainly buildings and machinery. This gross reductionism of inputs to one level of the exterior domains is represented in Figure 3.

This bias, in combination with a conservative slant, explains the view that in order to develop, only private property rights are needed as an incentive to invest in machinery. Because this view does not fully embrace the interior development of humans, it is unable to see the correlative levels of development even in exterior inputs. Thus, private property rights are seen as the panacea for internalizing the incentive to invest in

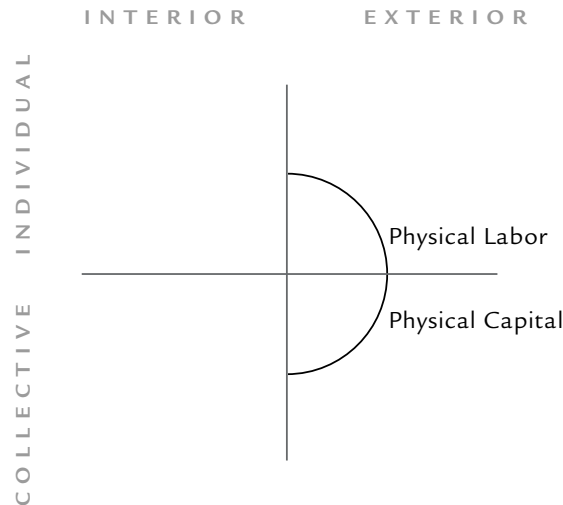


Figure 3. The flatland view of economic inputs: one level of the exterior domains.

exterior-collective forms of capital in hopes that ever more capital per worker would sustainably increase worker productivity and wages.

In 2008, I developed the integral neoclassical growth model (INEG), an integration of Wilber's levels and quadrants with the neoclassical Solow growth model, where investment into four types of capital is needed to achieve balanced, sustainable growth (Bowman, 2008). As you can see in Figure 4, these capital types map clearly across the standard four quadrants of the AQAL model. The concentric circles denote that each capital type can develop and envelop through stages, a missing element from the historical and still influential view captured by Figure 3, called *flatland*, a term Wilber uses to describe a perspective limited by the lack of recognition of important dimensions of reality. According to the Integral model, economies only successfully and sustainably develop if there is a general accumulation of four-quadrant capital under the workings of relatively healthy private *and* public sectors. Furthermore, the accumulation of capital requires sufficient investment into the formation of each capital type. This human and sociocultural economic developmental process can be summarized as *broad capitalism* rather than merely capitalism, where capitalism is identified with an economy directed by free markets with private property rights as the only important publicly provided, economic institution.

Even with the recent inclusion of human capital into growth modeling, economists still do not generally recognize that specific stages of interior development are needed for successful growth. Rather, they measure human capital in years of schooling, an exterior measure of one important input affecting interior development. A clearer understanding of each capital type is afforded by revisiting and investigating the correlations between a simple, five-stage progression in each quadrant (Fig. 2). For example, development to the industrial stage 4 correlates with the average worker passing through three major stages of UL development to arrive at the fourth formal operational level of cognition, and three previous stages of UR development to operate at the fourth level of brain development (structure function 2). For successful development to this industrial stage, the center of gravity of cultural development within societal organizations also passes through three previous stages of interior-collective development to reach the rational level of cultural values.

This integral view of human capital includes two components, *consciousness capital* (interior-individual) and

behavior capital (exterior-individual). Behavioral capital is represented here with the stages of UR physiological development, which supports increasingly sophisticated consciousness capital (i.e., UL psychological development).

Needs are also correlated by level so that they advance from physiological (stage 1) to safety (stage 2), to belongingness (stage 3), to self-esteem (stage 4), to early and late self-actualization (stages 5 and 6, respectively). Economists assume that economic agents maximize their utility or needs. Yet there is no recognition of higher or lower needs, or of the relationship between higher-order services and higher-order needs satisfaction. The INEG model concludes that as needs become satiated at a particular stage, say stage 3 belongingness needs, investment should be undertaken to develop four-quadrant capital to the next stage, the fourth stage in this case, so that the emergent self-esteem needs can then be met. Only with stage 4 consciousness, behavioral, cultural, and social capital can the economy satisfy self-esteem needs for the model’s representative worker.

Education is an important investment needed for the advancement of human and cultural capital, yet the market for education is plagued by market failures. The value of an individual’s education, in part, spills over to others as they become better citizens and co-workers. Moreover, since one’s education cannot be repossessed, it cannot be used as collateral, thereby making private-sector education loans problematic. Both of these market failures result in the under-allocation of resources to education if left exclusively to the private sector. Under-investment might be especially pronounced in the lower class, which disproportionately does not have the collateral or means to self-finance education. These issues are now part of mainstream economics.

With a lack of understanding of vertical development, however, there is little thought given to market failures associated with higher levels of interior development. Particularly problematic is cultural capital accumulation, which includes improved understanding that fosters more harmonious relations. Since higher moral development implies expanded care, there are great positive externalities to this sort of development. Once highly morally developed, as only one example, one can gain satisfaction from serving society without necessarily receiving material rewards, but the larger the sacrifice to achieve that level of development (without

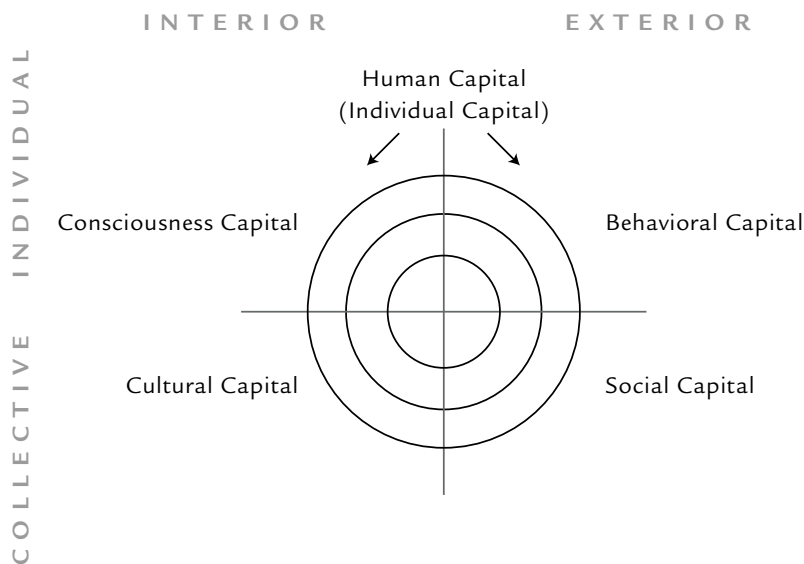


Figure 4. Multi-level, four-quadrant capital.

compensation for that work), the less likely that development will occur. The same can be said for citizenship skills. Citizenship skills are undervalued in the market and unless encouraged in other ways, those skills will be relatively underdeveloped—to the detriment of the collective—compared to other skills. *If we measure economic growth as higher or healthier needs satisfaction per person from increases in four-quadrant capital per person (as I suggest in Bowman, 2008), and we studied the investments that build this capital and the returns to their formation, then society would have better means to allocate resources to investments that have the highest social benefit net of social cost.* One can consider this to be the economic version of Wilber's prime directive.

We are beginning to see the need to honor both poles of our four major dualities, internal-external, individual-collective, interior-exterior, and now higher-lower as development proceeds through each stage from lower to higher. The higher-lower duality and its relation to the creation and diffusion of technologies is critical to understanding issues of inequality, trade patterns, and, since needs are also hierarchical, meaningful work and meaningful consumption. In section 4, we will see that developmental altitude comes into play when investigating the advancement of political-economic understanding itself. In that sense, I hope to help cultivate a more mature understanding of the issues under discussion. But first, we need to integrate the radical political-economic type, which is now possible with the understanding of developmental altitude.

3. The Radical Type

In the public discourse, sophisticated views are not fully heard. This is especially the case with more mature radical views. Given the taboo around radical thought, to tease out its partial truths from its limitations, I need to devote considerable space to this section. A careful analysis here is critical to an integral political economy, because the radical school of economic thought has typically been the only one willing to entertain the idea of transformation to a more authentic level of socioeconomic development. Sadly, that thought has lacked the integral vision needed to recognize what socioeconomic transformation entails.

Some analysts see the radical view as very far left, advocating even more government intervention than liberals, but this characterization only applies to one form of radicalism. It is more consistent to characterize radicals as wanting to change the entire capitalist system rather than to tinker with it, which is how they see liberal intentions (Carson et al., 2005). State communists can definitely be classified as to the far left of liberals (as defined thus far) in that these radicals advocate, or have advocated, complete government ownership of land and physical capital. Libertarian socialists and anarchists, on the other hand, are on the polar opposite branch of radicalism, as they advocate little or no state government and no hierarchical structures within firms.

In any case, an alternative four-quadrant analysis suggests that radicals tend to focus on the negative aspects of all four quadrants under capitalism, where a new system is required to bring out positive aspects of the human condition in a just economy. Not only do they acknowledge market failures, radicals usually go further in their belief that physical capital owners exploit workers, expropriate their rightful earnings, and artificially create demand for their products. They argue that government and market failures interact at least under capitalism. The result is that the interests of the political and business elite are aligned against the non-elites. The political elite protect private property rights of capital owners or large firms while the business elite help finance and support the political elite.

Wilber (1995) has gone to great lengths to show that arguments based on eliminating hierarchies do not make distinctions between actualization hierarchies versus dominator hierarchies. Since radicals tend to focus only

on the negative economic aspects of all quadrants and typically ascribe all these problems to capitalism—even though agrarian societies have less social mobility and more rigid class divisions than capitalist democracies do—they see all hierarchical arrangements in our private and public sectors as dominator ones without recognizing the healthier varieties that must be included in a transformation to a more evolved socioeconomic system. This higher system would encourage healthier expressions of lower levels within higher-level four-quadrant capital (including morality, cognition, technology, behaviors, etc.), which allow for higher needs satisfaction per person. For example, an integral movement that helps internalize the cost of pollution and natural resource depletion in enough parts of the world to make a difference would be one that made care for the environment a new stage 3 convention. Agents at stage 3 will then tend to follow this moral code (which was not encouraged by the industrial stage centered at stage 4). This can occur with healthy hierarchical arrangements in our system such as with firms and consumers subservient to the law, regulators subjected to sophisticated checks, national governments in some ways more subservient to new international laws, and so on. This model also suggests that more mature compromise rather than less mature battle among conservative, liberals, and radicals should go hand in hand with the accumulation of four-quadrant capital on the path towards the higher system.

It is true, even in democratic societies, that public policy is often slanted to benefit powerful special-interest groups such as established, large multinational corporations and a small number of established political parties. This was captured by the four-quadrant analysis of items such as monopoly and oligopoly abuse and beggar-thy-neighbor rent seeking (market failures), and with campaign contribution distortion and special interest persuasion (government failures). This does not imply that the state should own all land and physical capital or that a way forward does not include the working aspects of corporate and state hierarchical structures directed, in part, by market forces.

The conclusion to support state communism implicitly assumes that the elimination of private ownership of physical capital and natural resources would practically eliminate government failures since, to them, government failures arise from the class struggles irreconcilable under capitalism. Yet, government ownership of land and physical capital concentrates power in fewer hands than if competing corporations had influence on government. This consolidation has led to more, not less, abuse of power. As a qualifier to this statement, the Integral model can add that this is logically true at least under the case when the culture is dominated by the values and morals of individuals and organizations at competing, first-tier stages.

Friedrich Hayek (1944) goes so far as to suggest that state communism leads to tyranny because the state will not be able to gather all information needed to plan the direction of the economy (a problem not likely to be sufficiently remedied by higher-level, four-quadrant capital). This will lead to decisions that go against the will of the people and so must increase domination of citizens' affairs. This is a compelling argument, given the totalitarian nature of communist countries in practice. It is ironic that Hayek's ideas were expressed in a cartoon in a booklet published by General Motors, in the "Thought Starter" series (no. 118); ironic because the U.S. government at the time of this writing has a controlling stake in the American auto manufacturer. This will not be surprising to radicals because they see firms as championing free markets only when it is convenient for them. Thus, profits are privatized and losses are socialized when the economy operates this way.

Radical economic thought is most influenced by Karl Marx. See, for example, Mark Blaug (1996) for a detailed summary of his work in the context of the development of the philosophy of economics. Marx had important contributions regarding the evolution of economic systems, the potential abuses of capital interests under capitalism, and the importance of our economic arrangements in supporting certain worldviews.

Despite this, and although Marx himself did account for the human dimension, Wilber (2000b) points out Marx's overemphasis on the interobjective quadrant, where the techno-economic base overly determines the interiority of agents and culture. Given this, followers of Marx were more likely to be reductionistic. Also, Marxist thought has been plagued by problems relating to Marx's labor theory of value. He argues that all production is the result of effort by current labor and past labor, where the value of past labor can be stored in current physical capital. He also argues that there need not be an incentive to invest in physical capital. Using this theory, Marx predicted a declining labor share of income and a declining real interest rate, which contradicts the evidence that both are roughly constant in the long-run (Valdes, 1999). Although the labor share and real interest rate may ebb and flow in the short-run, neither exhibits an upward or downward long-run trend.

The mainstream marginal theory of value, on the other hand, does acknowledge the validity of payments to physical capital. Each version of the neoclassical economic growth model (Solow, 1956; Mankiw et al., 1992; Bowman, 2008) matches the observed constant long-term labor share and real interest rate, among other stylized facts of economic growth. It is interesting to note that the only known theory to explain the actual size of the labor share is provided by the INEG model, with its AQAL-augmented, marginal theory of value (Bowman, 2008).

So Marx's labor theory of value is taken by his followers to mean that there is no need for private property rights or hierarchical relations. On the other hand, with the deconstruction of his theory of value by mainstream economists, the failures of state communism in practice, and the lessening of communist movements with the growth of the social safety and public investments in more socialistic versions of capitalism, Marx's partial contributions and those of other radicals are therefore ignored by mainstream economists. In fact, his partial contributions are not really allowed to be discussed in the mainstream discourse on public policy, as will be demonstrated in section 5.

Essentially, the pathological, ideological chasm between communism and capitalism, which still heavily influences our political-economic public discourse, can be boiled down to arguments between two views that oppose each other, yet are both trapped in flatland (Fig. 3). Recall that the mainstream view of economic growth, which excludes the view advanced by Marx, began with the conception that physical capital accumulation (represented by more physical capital per worker, not higher levels of social capital per worker) was the essential requirement for growth. But despite the vertical stages in Marxist thought, the problems inherent in Marx's labor theory of value and overly strict LR determinism implied that the focus of mainstream and Marxist disagreement related to how their two major economic inputs, physical capital and raw labor, interacted in flatland.

Defenders of capitalism emphasize the partial truth that physical capital accumulation can raise wages because more capital per worker makes workers more productive. They also see labor markets as generally competitive, so in order for firms to attract workers, firms must pay workers the going wage based on their productivity. This is consistent with the constant labor share of income, because as productivity grows with capital per worker, workers' wages increase proportionally with national income. There is very little discussion in the mainstream, however, of the struggles and changes that made labor markets relatively competitive in more developed countries or of the increases in human and cultural capital that prevent diminishing returns from setting into physical capital investment. Struggles, changes, and specific circumstances in the United States include the freeing of slaves, the historical benefits of cheap and easy access to owning land for immigrants to the American colonies and early American states, workers unions' fight for the implementation of safe working conditions, milder class divisions, institutions including constitutional checks and balances

and the Bill of Rights, the provision of accumulating mass education and other public investments over time, and the passage of further civil rights and anti-discrimination laws.

The partially valid capitalist view, which emphasizes property rights to incentivize the costly investments needed for physical capital accumulation, can be a sincere misunderstanding of growth because of the dissociation of modern scientific methodologies. Physical capital accumulation per worker was much easier to measure as correlated with increases in income per worker. The complexities of analyzing and measuring the living economic system meant that methodologies such as structuralism used to disclose interior and vertical realities were not applied to accumulation of interior capital that makes investments into physical capital legitimately profitable in the long-term.

The gross reductionism of inputs to one level of the exterior quadrants has lessened somewhat with the recent recognition in mainstream economic thought of the importance of human capital for growth, but major issues remain without a better handle on the interior domain and its vertical dimension. These limitations also prevent the radical worldview from recognizing the importance of growth hierarchies. Instead, the recognition of only dominator hierarchies, where firm behavior and public policy are seen as directed by physical capital or elite interests that exploit production workers and the environment, is a version of the flatland view opposed to a less mature conservative one. This less mature radical flatland version emphasizes the negative aspects of capitalism while the less mature conservative one only recognizes the positive aspects of private markets. As a result, radicals might want workers or the state to own physical capital so that the capital can be used to work for them. I will more formerly differentiate less from more mature versions of conservative, liberal, and radical views in section 4.

Exploitation is partially true, especially in societies that do not invest in a quality minimum level of education and other public investments for all and do not provide basic human, civil, and worker's rights as industrialization starts to spread. Countries develop if they sufficiently overcome the obstacles and struggles between special interests (obstacles often intensified by class or group frictions). Furthermore, success comes by accentuating the positive aspects of the quadrants and discouraging the negative ones with broad capitalism. Radicalism has always been more popular with marginalized groups in a society, especially if the country is poor and marginalized in the world economic order. The solution is not to destroy all hierarchies and all private firms by extension. Rather, governments need to make wise public investments and they need to have sound institutions that provide a check on powerful interests.

Immature versions of radicalism share a tendency to find one panacea as the solution to all problems, although the panacea is not the same for different groups. Today, milder versions of less mature radicalism may have a panacea such as the abolition of the fractional reserve banking system (a system in which banks are allowed to lend out a fraction of deposits from depositors while simultaneously being required to return those deposits to depositors upon demand). This argument, which is most closely associated with Austrian economics, but which has generally been disputed by mainstream economists, does not make a distinction between sound and unsound (or speculative) lending. Therefore, it does not propose ways to encourage sound lending while discouraging unsound lending. This radical argument is explored a bit further in Bowman (2010a), where distinctions are made between sound and unsound lending along with a practical reconciliation of the major macroeconomic schools related to business cycles. It is quite stunning how sophisticated a radical may be at recognizing the negative, dynamic interactions within an imperfect economy, yet how simplistic the proposed remedy tends to be. The four-quadrant analysis provides an elegant explanation of this irony. The immature radical worldview is to see only the negative aspects of the quadrants in Figure 1. Therefore, that

tendency cannot recognize the positive aspects that must be included in the evolutionary transcendence to a higher-order economy.

Marxism dangerously leaves out important aspects of the partial value and necessity of the industrial stage even as it attempts to transcend it. Wilber (2000b, p. 578) suggests that the partial truths pointed to by Marxism that try to uncover the painful, repressed aspects of our society is itself repressive of the rest of reality, and thus, in and of itself, is an inappropriate application (to political economy) of depth psychology (a psychological approach to examine the subtle or unconscious portion of human experience). Without an understanding of both the healthy and unhealthy aspects of all the main dimensions that foster transformation of economic stages of development, radical thought often succumbs to insensitive, unsupportive, and therefore inappropriate calling out of our collective unconscious. In the public discourse, it has merely engaged our individual and group defenses, so much so that it has been taboo to mention any contribution by Karl Marx and other radicals.

Noam Chomsky as Radical in an Integral Political-Economic Context

We will see that allowing for different values by stages of development helps provide a check against the problems of the exclusive focus on the darker side of our system. In this section, I will use the integral political economy model to point out the contributions and limitations of the view espoused by Noam Chomsky, a libertarian socialist and formidable radical dissident critic of the American political-economic system and U.S. foreign policy. In the next section, I will show the necessity of a developmental model to avoid the problematic conclusions of Chomsky and other radicals.

Chomsky has painstakingly documented the views of leading military and civilian American governmental officials, shedding light on what I would describe as essentially immature conservative motivations of American policy abroad. For example, see Anthony Arno's (2008) edited volume containing excerpts of important work by Chomsky. Where I disagree with Chomsky is in his argument that the root problem of domestic and foreign policy is the lack of democracy in the United States. This does not acknowledge that the average voter often does not support candidates with worthwhile proposals. The average voter is not demanding taxes on goods with negative externalities such as gasoline for example, which would inconveniently raise the price of gasoline at least in the near term (evidence regarding energy taxes is presented in Bowman, 2010b). Chomsky uses healthcare as an example of a policy with widespread appeal that the government does not provide. I would point out that the average voter is not clamoring for compromise on the looming insolvency of Social Security and Medicare, nor for ways to deal with the eventual costs of the environmental crisis and the possibility that we have reached peak oil production, issues that have been legitimate and controversial obstacles towards expanded healthcare. As sophisticated conservatives might say, just because there is potential for healthcare reform to better manage rising health care costs, this does not necessarily imply that our political process will result in such reform. Furthermore, although healthcare costs are a burden for many Americans, they are not a threat to civilization as we know it, unlike the environmental and energy crises, which are taking a backseat to healthcare reform at the time of this writing.³ And although it is true that the United States often opposes popular resolutions at the United Nations, there is also a lack of coordinated pressure by the public, in part because of the traditional, ethnocentric voting bloc within the United States that supports such moves. Even the rational stage 4 worldview can have a relatively easy time rationalizing away the behavior of America abroad. These rationalizations, however, have become more difficult to maintain after two presidential terms with George W. Bush, who placed actions that are partially hegemonic in clearer view (e.g., by ignoring international law with the invasion of Iraq, exercising American unilateral power, condoning torture,

refusing to make progress on global warming, etc.).

In my opinion, the underlying problem is not the elite undermining democracy with “manufactured consent” for elite interests. The root problem is that leaders *and* voters suffer from first-tier consciousness that is not housed in a centauric culture. One does not have to be a capital owner or elite politician to subscribe, without manufactured consent, to the flatland view that defends an immature conservative version of capitalism. And to the extent that consent is manufactured, it is in part projected by segments of our population when they only register information that confirms their preconceived understanding of political economy (see Bowman, 2010b, for evidence that conservative and liberal readers tend to prefer biased reporting). Chomsky briefly concedes that a psychological explanation is a plausible substitute to his manufactured consent, but he does not explore it. Although immature propaganda does play a role, we must acknowledge the role that historical and psychological factors play by level and type of development in mutually reinforcing projection and acceptance of propaganda. There are several reasons why the United States sees capitalism in such a favorable light (its birth coinciding with libertarian political-economic philosophy, cheap access to land for easier socioeconomic mobility, a stage 4 constitution imposed on, at best, a stage 3 populace at the start of the country, weaker class divisions with less connection to the aristocratic past, large economy-of-scale effects, a position of dominance after World War II, sufficient initial cultural capital to support mass public education, etc.). Given that the general public *and* leaders have the problem of limited consciousness and less-than-perfect psychological health, then one may come to see the partially true, but woefully lopsided, view of Chomsky where *only* the owners or leaders of public relations firms, media, corporations, and government through manipulation and indoctrination are the ones responsible for immature policies.

The Washington Consensus can encourage long-run exploitation of countries without the sound institutions that foster breadth and depth of capital investment. The less mature conservative worldview sees the overly laissez-faire process as improving the local conditions through more efficient use of their resources while usually citing success stories of development, where there actually were better institutions that fostered broad capital accumulation. In the long-run, the unsuccessful types of economies end up losing some of their natural resources without developing the interior capital of its workers and public infrastructure, so only the owners of the natural resources and the small elite with access to education or resources benefit (see the even-handed, edited volume on political-economic development by Mitchell Seligson and John Passe-Smith [2008]). Empirically, it is another type of developing country that successfully and broadly grows as it becomes newly industrialized (again, with the benefit of relatively healthy public and private sectors). For example, Borenstein and colleagues (1998) find empirically that foreign direct investment (FDI) is an important vehicle of multinational firms for the transfer of technology to less developed countries, contributing relatively more to growth than domestic investment. Yet, in order for countries to benefit from FDI with substantial complementary domestic investment, countries need a certain threshold of human capital. More generally, supporters of free trade should acknowledge the necessary preconditions required for openness to benefit the domestic economy. Meanwhile, advocates of dependency theory (which maintains that global economic integration only benefits the urban centers of the most powerful countries) should acknowledge the potential benefits to global economic integration under the right conditions.

Healthier relationships and social learning opportunities will be fostered by substantial cultural capital. Building on insights from Oded Galor and Joseph Zeira (1993), Jose Campos and Hilton Root (1996), Roland Benabou (2000), and others, I argue that ethnic factions or socioeconomic class divisions that may be associated with high initial wealth and income inequality will be associated with high education inequality (Bowman, 2007). The large gap in skills will prevent, in a laissez-faire economy, the low-skilled sector to productively

learn from the use of modern ideas and technologies employed in the high-skilled sector. Wages grow for a time for high-skilled workers, but not for the relatively low-skilled worker, so it becomes harder and harder for low-skilled households to afford schooling (which depends positively on the wage of high-skilled teachers). Cultural divisions in which groups antagonistically oppose each other with a lack mutual understanding and shared short-term interests (which subtract from total cultural capital) may lead to an unhealthy polarization of policy goals. The higher the inequality and political control by the elite, the less of a short-term incentive there is for the elite to give up their privileged position to help pay through taxes for broad public investments (on education, roads, electricity, and sanitation systems, in poorer areas) that could benefit the whole of the economy in the long-term. This investment would supply the country with the growing numbers of integrated and educated workers needed for further development and would foster diffusion of more productive techniques. Furthermore, the greater the concentration of wealth and the longer the poor see no benefit to a laissez-faire system, the more pressure will build for a change in the system with less mature radical impulses because of their frustration at the injustice. So there may be a radical revolution with expropriation of assets, which discourages the investment needed for broad and sustainable growth.

Political-Economic Worldviews by Level of Values and Cognition

Let us take a closer look at the cognitive capabilities and values of each of the three stages of consciousness and cultural development represented by the vast majority of the American population, stages 3, 4, and 5 (according to estimates of values development by Don Beck and Christopher Cowan [1996] and assuming correlations to same-level cognitive development). Operating at stage 4 is consistent with leaders of companies that do not see the dynamic consequences of reinforcing the Washington Consensus. Values at stage 4 can be summarized as “express self for what self desires, but in a fashion calculated not to bring down the wrath of others” (Spiral Dynamics, n.d.). The correlative cognitive stage has the emergent capacity for reason, but this reason suffers from relatively limited perspective taking and universalism. It is hard for this combination of cognition and values to understand the plight of marginalized individuals and countries. For Americans relatively isolated from non-American opinion, it has been very easy to rationalize away any problems with the Washington Consensus because the opposition to it is too easily ignored. The poor country that is unable to develop to where it can export value-added manufactured goods may instead export primary products, essentially exporting its natural resources. Many low-income countries that I am describing as unsuccessful have decreased their poverty rates, but their development has not been near what it could be. Meanwhile, the successful developing country that grows broadly reinforces the worldview that the explanation for their development is strictly laissez-faire economics (since these countries are not communist) rather than the more likely reason given the available evidence: broad capitalism. (Again, see for example Seligson & Passe-Smith [2008] for a collection of classic and contemporary essays on the data and political-economic issues surrounding development, ranging from mainstream to interdisciplinary to radical.)

The values of the pluralistic stage 5 can be summarized as “sacrifice now in order for acceptance now and so all get now” (Spiral Dynamics, n.d.). The correlative cognitive stage has the emergent capacity to take many perspectives, but, unlike stage 6, is not yet able to integrate them. This value system is consistent with intelligent radical deconstruction of capitalism because this stage is sensitive to the perspective of the marginalized. It tends to fight dominator hierarchies without acknowledging growth hierarchies. Only if the center of gravity of culture was at no less than this stage 5, the highest first-tier stage, would there likely be clear, strong, and consistent opposition to the policies in place that Chomsky cites. It is unlikely, however, that the replacement policies emanating from stage 5 would be conducive for an integral economy, an economy made less likely with egocentric drives within any agent that can consciously or unconsciously find safe haven under

stage 5 values (what Wilber calls elevationism). Notice that fighting for ownership of capital for the workers or throwing off hierarchies is focused on an immediate solution *to get now*, reflecting the values of that level. The same could be said for the expansion of healthcare without regard to the long-run financial health of our social safety net and without addressing our environmental liabilities. We would like to add to the sensitivity of stage 5 by encouraging more equitable long-term public and private broad capital investment and healthier drives by level of agents within the private and public sectors that will, with time, deepen capital in the four quadrants.

A centauric culture would better include stage 3 values of “sacrifice self now to receive reward later” (Spiral Dynamics, n.d.) and cognition that allows for taking the role of other and following rules. Those values and cognition can be harnessed by making environmental stewardship and personal and federal financial responsibility moral codes that should be followed consistent with moral codes already acknowledged at stage 3, but often hijacked by ethnocentric tendencies that prevent needed progress towards stronger international law. The centauric culture that could begin to overcome our culture wars would help re-enact those somewhat repressed stage 3 drives within stage 4 and stage 5 agents. Currently, there is no clear moral code in the United States that would suggest that the country should be willing to sacrifice some of its sovereignty for greater international law if other countries cooperate. But this is a natural Kosmoscentric moral evolution of the rule of law and checks and balances of power that America has stood for domestically. In order to solve problems such as the depletion of natural resources, environmental destruction, terrorism, nuclear proliferation, speculative international financial flows, etc., working towards and abiding by a just international law that promotes the good of the world would need to be part of second-tier American culture.⁴

4. Less Versus More Mature Types

We can now formally distinguish less mature versions of liberalism, conservatism, and radicalism from their more mature versions that should be included in an integral political economy. I distinguish between higher or healthier from lower or less healthy types and then explore the possibility that political-economic understanding is a learning line of development.

Less Versus More Mature Liberalism, Conservatism, and Radicalism

A higher perspective implies one that comes from a stage of development that emerges later with further development. A healthier expression of a given stage implies an understanding that is more balanced and inclusive of that level’s potential. I refer to the higher or healthier as a relatively *more mature* understanding or approach, and lower or less healthy as represented by a *less mature* version.

These theoretical distinctions are meant as benchmarks to provide a broad enough stroke so that the area including and between less and more immature and across the main types (liberal, conservative, and radical) captures a solid majority of tendencies. Individuals are not always completely conservative or liberal, nor are they completely immature or sophisticated. But individuals that do express detailed political-economic opinions do tend toward more liberal, conservative, or radical and relatively more or less mature based on countless observations, interactions, and readings that I have engaged in personally and professionally. But I have not formally established these expressions in controlled studies, which is what is required to confirm these observations. I expect, however, that they will ring true with integral scholars interested in public economic policy.

Public debate of political economy in which no specific issue is raised is not rare. Nevertheless, polarized

and extreme views such as the less mature varieties are expressed. A less mature conservative or, to suggest an absolute level or degree of health rather than just relatively less healthy or developed, what I call a *fundamentalist conservative* makes blanket statements such as “the government takes away our freedom.” They seem to always advocate deregulation and privatization without much regard to a particular industry and without being open to economic theory that might support government regulation. They tend to wish for less spending on social programs, but tend to favor defense spending. An immature conservative tendency is to argue vehemently for the virtue of free markets and the vice of government intervention, while the immature liberal will argue just the opposite. Yet, we have clearly shown government involvement depends on economic theory and a balanced investigation of the issue at hand. In addition to a theoretical justification for government involvement, practical considerations of whether or not sound, rather than beggar-thy-neighbor policies will actually be implemented.

Now a more mature conservative, or what I will call a *sophisticated conservative* when referring to more specific tendencies he or she has, tends to emphasize the value of private markets while still acknowledging their failures. Sophisticated conservatives tend to view economic history as supporting the notion that government intervention tends to make matters worse because of government failures. A sophisticated conservative is open to hearing, and even willing to suggest, public regulations or programs that will improve market outcomes for society even though they are skeptical that there will be political will to enact them instead of more distorting policies.

Less mature liberals, or what I call *naïve liberals* (again, the latter is to denote a more specific level or degree of health of the liberal agent), tend to make generalizations from the other side of the street. They tend to want government redistribution policies that benefit themselves or the poor immediately and more or less indefinitely, rather than asking for temporary government assistance that will include help for the poor or those in transition between jobs to invest more for their future to meet the demands of the economy. Naïve liberals are uncomfortable with the private profit motive, as they wish for significantly greater government engineering to solve most problems. They disregard any government-created distortions of valuable private-market incentives, so their solutions are plagued by unintended consequences.

A more mature or *sophisticated liberal* tends to see economic history as making the case for the necessary, active involvement of government even though government must not suppress the otherwise useful power of free-market forces. Smart regulation and empirically justified public investments that take into account the whole of society, rather than special interests, are an essential part of the sophisticated liberal agenda. They acknowledge failed liberal policies when private incentives are ignored and instead favor fiscally responsible corrective action by the government that must overcome government failures in order to implement sound policy.

A less mature radical, or in the specific cases I mention, what I call a *militant or utopian radical*, may, like the naïve liberal, also argue that the profit incentive is the root of societal ills, but goes further by seeing large corporations and their partners-in-crime, powerful military and political leaders, as inherently and intentionally imperialistic and oppressive. They tend to advocate either the abolition of hierarchies, state ownership of all physical capital and land, or some other single panacea. As mentioned above, the abolition of the fractional reserve system is another example of a proposed radical panacea, a proposal examined briefly in Bowman (2010a).

More mature or *sophisticated radicals* recognize the unhealthy side of industrial democracies, and they see

that market and government failures are interrelated. They are skeptical of the motives of private and public leaders with immature values, but they acknowledge the role played by all groups in our society. Rather than completely throwing off the present system, they want to include what works while envisioning a new stage of economic development that properly balances rights and responsibilities of all major stakeholders. They recognize that this involves a more mature society so that higher motives are encouraged and pursued.

I argue that government failures and the persistence of market failures are more likely when policy is driven by interactions of the less mature liberal and conservative types, while radical views are essentially ignored in the public discourse. Let us take a simple example of an immature liberal policy, in this case a pandering populist government measure that tends to misallocate scarce resources. Consider a poor family who is having difficulty buying milk. So, the government steps in and fixes the price below the market price (similarly, governments have implemented rent controls to keep housing artificially cheap). This tends to decrease supply since firms cannot cover the costs of the initial level of supply, thereby creating shortages (just as rent control discourages the maintenance and expansion of the supply of apartments). The policy only helps those both lucky enough to get the milk and who do not mind standing in line (the well connected or those able to make under-the-table payments to landlords often get available apartments when a shortage exists). Now, another politician may want to fix the milk price higher than the market price to reward his farming constituents and supporters (agricultural price supports continue to persist in most developed countries). This transfers benefits from consumers to farmers while also causing an additional cost to society since the higher price reduces consumption on units where the social benefit is greater than the social cost.

There are better ways of helping relatively poor groups. More generous retraining or education assistance to poor families, if you recall, is justified by economic theory. Alternately, a more progressive tax structure could be utilized if the rich are not already paying a tax burden that causes equal sacrifice as the poor. Keep in mind that the utility of losing \$1 for the rich is less than the benefit to the poor of receiving that \$1. Immature conservatives tend to claim that cuts in taxes on the wealthy *always* lead to greater work effort, a larger economy, and therefore a larger tax base and government revenue. There are actually two theoretical effects from lower taxes on the wealthy, a *disincentive to work as much* (given that take-home pay is lower and leisure has a lower opportunity cost) and *an incentive to work more* (given that lower take-home pay implies more work is needed to consume or save a given amount). Therefore, we cannot rely on theory alone. Evidence is required to support such a statement at existing levels of tax rates. The conservative argument also assumes that the rich pay higher marginal tax rates. It turns out that the middle income tax bracket has a *higher* effective marginal tax rate than do the upper income brackets according at least to the way it is calculated by Stuart Allen and colleagues (2007). They tabulate the effective tax rates by summing the federal income, state income, Social Security, and Medicare taxes for various tax brackets. Even the conservative argument that marginal tax rates on the higher income groups should not be too high does not imply that the Bush-era tax cuts should result in regressive taxes at the upper end.

For now, notice again that price controls in otherwise competitive markets are generally an example of an immature liberal policy. It is important to note that immature conservative tendencies resist any new taxation making alternative, sophisticated liberal programs difficult to finance. Yet, in theory, by eliminating immature liberal policies such as pork barrel spending, the revenue savings and the efficiency gain from eliminating distorting policies and encouraging broad-capital investment can help finance sophisticated liberal policies without necessarily raising overall tax burdens in the long run.

The top two rows of Figure 5 summarize the distinctions between immature and sophisticated versions within

	Conservative	Liberal	Radical
Mature	<ul style="list-style-type: none"> • Markets are often efficient • Some market failures exist • Government policies often make some matters worse • Open to less distorting, public corrective measures <p>= <i>Sophisticated Conservative</i></p>	<ul style="list-style-type: none"> • Emphasizes market failures • Acknowledges failed liberal policies of the past • Sees development as not occurring without sound public corrective measures and investment <p>= <i>Sophisticated Liberal</i></p>	<ul style="list-style-type: none"> • Market and government failures are interrelated (questions motives) • Recognizes unhealthy aspects of industrial democracies • Need co-created evolution to a new stage of economic development with stakeholder groups on equal footing <p>= <i>Sophisticated Radical</i></p>
Immature	<ul style="list-style-type: none"> • Deregulate always • Always cut taxes • Typically see no role for government except providing property rights <p>= <i>Fundamentalist Conservative</i></p>	<ul style="list-style-type: none"> • Fix price to help us (or poor) now with no regard to unintended consequences • Profit incentive is the problem • No acknowledgement of government failures <p>= <i>Naïve Liberal</i></p>	<ul style="list-style-type: none"> • May advocate revolution, not reform • Favors one change as a panacea such as state ownership of capital and land, or no hierarchies (anarchy) • Does not honor the partial validity of the modern system <p>= <i>Militant or Utopian Radical</i></p>
Immature/ Mature Fallacy	<ul style="list-style-type: none"> • Sophisticated conservative concern of unintended consequences of naïve liberal reform seen by naïve liberal as selfish defense of the privileged business class <p>Either a sophisticated conservative or liberal approach might be met by a militant radical as unwitting support of corrupt elites preventing the natural overthrow of the status quo.</p>	<ul style="list-style-type: none"> • Sophisticated liberal desire to regulate a market failure seen by immature conservative as ignorant encroachment on freedom and the right to pursue prosperity 	<ul style="list-style-type: none"> • Sophisticated radical critique of policy formed by mutually reinforcing self interests of political and business leaders assumed to be motivated to implement state communism or to throw off any benefits of the present system (seen as a “commie” or “crazy conspiracy theorist”)

Figure 5. Mature versus immature political-economic types and the immature/mature fallacy.

each of the three types. (The bottom row refers to a fallacy that will be specified in section 5.) The terms *liberal* and *conservative* used here are based on their contemporary meaning. In the late 1700s and early 1800s, liberals advocated less government involvement while promoting the move from mercantilism to capitalism. Thus these labels are time dependent. A time-invariant definition of conservative is to support the status quo. Today these status-quo conservatives tend to emphasize the positive aspects of all four of the alternative four quadrants while the time-invariant liberal advocates for some kind of reform to address some negative aspects of the alternative four quadrants.

The Proposed Line of Political-Economic Understanding

Given the distinctions that have been made thus far, I argue that political-economic understanding can be thought of as a *developmental learning line* allowing for at least three political-economic types: conservative, liberal, and radical. Studies should also allow for a finer gradation by level and type. I expect that there can be a conservative, liberal, or radical version at any level that can express political-economic opinion. Wilber (2000a) states that some lines are necessary but not sufficient for others, some move relatively independently, and some move roughly together. Wilber lists musical ability as an established line of development, which seems to me the closest example of a line within a particular field of study. I believe Benjamin Bloom’s hierarchy of learning in the cognitive and affective domains are critical for learning in political-economics. The cognitive learning stages reported here are taken directly from the Encyclopedia of Educational Technology (n.d.) and they range from knowledge (recall of data), to comprehension (understanding information), to

application (applying knowledge to a new situation), to analysis (separates information into parts for better understanding), to synthesis (builds a pattern from diverse elements), and finally to evaluation (judges the value of information).

One must learn core principles of economics, have experience applying these concepts to different situations, and learn some of the successes and failures in economic development and the history of economic public policy, for example, in order to begin to synthesize the use of various models and eventually evaluate relevant information and policy at a sophisticated level. To express immature versions, it seems clear that much less learning and mastery need occur. I do *not* claim that the specific immature versions I specified above are fundamental stages through which learners must pass on their way to becoming more sophisticated. Rather, expressions similar to those do seem influential in our society and, to me, are convincingly less mature than the sophisticated ones, which reflect the occurrence of previous developmental learning in the cognitive and affective domains as applied to political-economic understanding. Higher cognitive development should be a necessary but insufficient indicator of development in political-economic understanding. One may be highly developed cognitively, but never have studied (formally or independently) economic public policy, so this person would not be expected to be very highly developed in political-economic understanding. Yet this person has the potential to learn quite easily with effort, interest, and quality exposure to the field.

I argue that moral and values development will be highly influential in the character that political-economic understanding takes. For instance, a combination of healthy vision-logic cognition, Kosmoscentric morals, and integral values (stage 6 in all three lines) will allow the agent to overcome, or not succumb to, immature ideological versions of political-economic understanding. One can be capable cognitively and motivated morally to “get it right” and compromise for the greater good, rather than, perhaps, trying to “be right” where one may be motivated, at least subconsciously, by narrow self or group interest to defend one’s preconceived position. For instance, how one values the distribution of income between groups will be influential for one’s type. So political-economic understanding does not seem to be only a particular expression of cognition applied to economics. The affective domain (also directly from the Encyclopedia of Educational Technology [n.d.]) relates to a learner’s attitude to learning, interest, attention, awareness, and values. Learning in this domain proceeds from receiving phenomena (an awareness; willingness to listen), to responding to phenomena (taking active part in learning; participating), to valuing (the value a person attaches to something), to organization (organizing values into order of priority), to internalizing values (behavior which is controlled by a value system).

Empirical study is needed to establish political-economic understanding as a learning line of development, but until that is done, we should be able to use this conception at least metaphorically. Take for example Milton Friedman, the Nobel Prize–winning economist closely associated with conservative economic theory. As an alternative to price controls, he designed less distorting ways to help the poor through, among other things, his call for a negative income tax, where the working poor may qualify for cash payments from the government rather than paying taxes (if they earn less than the minimum level perceived as adequate by society). The poor are less likely to find a job if the alternative of a minimum wage is enforced, which diminishes labor demand. There is little question that Friedman was more developed in political-economic understanding than the type of conservative that has disrupted town hall meetings by shouting things like “You’re an anti-American socialist for proposing healthcare reform!” This line-of-development metaphor is important for non-economists in the integral community to hear. It is true that in the United States, people at the traditional stage 3 tend to be more conservative while others at the relativistic stage 5 tend to be more liberal. But it is wrong to conclude that liberalism itself is more developed than conservatism. One can be a liberal

at the relativistic stage 5 and have compassion for the environment, and yet oppose a gasoline tax that would discourage carbon emissions on the grounds that firms would pass on the tax to consumers. (I find this to be a common response from stage 5 agents without formal economics training.) They may instead call for taxes on oil profits, which does nothing to change the incentive to diminish gasoline consumption. This attitude suggests that consumers should not have to pay for the full cost, including the external cost of pollution when they drive their cars. On the other hand, this does not imply that one must be at stage 6 cognition and morals to support a gasoline tax while subsidizing alternative fuels technology research. I would suspect that if one was as developed in their understanding of political-economics (something akin to stage 5), then it would be more likely that they would not succumb to this analytical error. Therefore, we must acknowledge more mature versions of conservatism that warn against less mature versions of liberalism.

We should be aware that, although the first substantial cohort of individuals that breaks into a new wave at a particular location and time may tend to have a specific political leaning, the political-economic expression of individuals will depend on numerous factors that cannot be dealt with entirely theoretically. For example, in the United States the “baby boomer” generation was the first to have significant numbers reach the relativistic stage 5. The capacity to inhabit many perspectives and become sensitized to the marginalization by society tended to have left-leaning politics. Yet I would not expect relativistic agents in North Korea today to advocate more government involvement to overcome the insensitivities of their society. Similarly, the political-economic leanings of agents at the traditional or conventional level 3 in the U.S. may depend, in part, on their group identity, whether conservative, liberal, or radical. For example, many of Chomsky’s relatives were radicals, and his thought has been described as moving from Marxist to anarchist at around age twelve or thirteen (Carlos Otero, 1994), typically around the age one begins to move from stage 3 to stage 4 cognition.

When I investigate the Financial Crisis of 2008-2009 in Bowman (2010a), I will show that it was fostered by policies resulting from both fundamentalist conservative and naïve liberal policymaking. Because we are likely to hear a person criticize only the conservatives or only liberals without making distinctions between less and more mature varieties—this was clearly evident at the peak of the financial crisis—let us turn next to a brief exploration of the psychological aspects of immaturity in the political-economic developmental line.

5. The Immature/Mature Fallacy

Unfortunately, more mature arguments are often assumed to be less mature by the opposing side, a consequence predicted by a new variation of Wilber’s *pre/trans fallacy*, which demonstrates the confusion between higher and lower developmental expressions. Wilber has used the *pre/trans fallacy* to show that when, for example, postconventional and preconventional views oppose the conventional view, postconventional views are typically assumed to be motivated by preconventional tendencies by folks representing the conventional view. For example, surveys show that most American protestors of the Vietnam War gave preconventional reasons to oppose the draft, such as “the government can’t tell me what to do.” An instance of an individual providing a postconventional view (whether right or wrong) might have been “our so-called enemy, the National Liberation Front, has widespread support of at least the rural Vietnamese without significant outside influence, and the Vietnamese should be able to determine their own government. Besides, it is counterproductive for us to impose our preferred system if they resist.” (This same example can also be described as *pre versus post-rational*, where the support for the war could have come from the conventional stage 3 or rational stage 4.) The prevailing preconventional tendencies within the war protestors made it difficult for attention to be paid to postconventional voices.

For our purposes here, I will use the three political-economic types of views: conservative, liberal, and radical, each with more and less mature varieties. With two or more types, there only needs to be two levels involved for the enactment of an immature/mature fallacy. For example, even if a sophisticated liberal has a healthy respect for free markets, but supports a theoretically justified government tax on pollution or purchase of a patent to place an idea in the public domain, an immature conservative will tend to see this person as lacking an understanding of freedom and markets. The tax may be viewed by this immature conservative as constrictive and distortionary while the patent purchase may be seen as pork barrel spending. So, immature conservatives do not encourage smarter, better government because they do not acknowledge the theoretical justification for government involvement (besides, typically, the provision of a strong national defense or property rights). As such, they do not make a distinction between a sound policy and the danger of government implementing a policy that makes matters worse.

We can call the mistaken reduction of more mature liberal arguments to less mature liberal arguments by less mature conservatives as one form of the immature/mature fallacy. Another version of the fallacy is when a less mature liberal erroneously reduces a more mature conservative to a less mature conservative. So a naïve liberal, when faced with a sophisticated conservative wish to discuss the unintended consequences of a naïve liberal reform, will likely assume the conservative to be a supporter of completely unregulated markets. The sophisticated conservative may even be blindly labeled as a selfish Republican seeking to avoid paying his fair share to the government. More generally, the sophisticated conservative may be seen as seeking to obstruct any policy justified by improving social welfare because of the short-term cost to the group with which they identify. This confusion results from the inability of the immature liberal to distinguish sound policy to address a market failure from policy that does not include what markets do well.

Radicals are ignored by the mainstream in the United States as a result of the interaction of two additional versions of the immature/mature fallacy. The willingness of the sophisticated conservative to, more often than not, let the market work, and the active effort of the sophisticated liberal to improve but preserve the system are both seen by the immature radical as unwitting supporters of corrupt elites. The sophisticated conservative is seen as a fundamentalist-conservative supporter of laissez-faire where businesses continue to exploit workers and resources. Sophisticated liberals are seen as naïve liberals that appease the masses or direct subsidies to elite interests.⁵

Alternatively, consider a case in which a sophisticated radical critiques liberal and conservative policy as benefiting competing, narrow special interests in government and business. Although they may not be given the chance, sophisticated radicals may wish to discuss ways to encourage more transparent decision-making, perhaps with merit-based appointments of mature representatives of all major stakeholders to independent committees to make policy recommendations. Naïve liberals *and* fundamentalist conservatives may take offense at the accusation that their political beliefs may contribute to our problems. They take the accusation as preposterous and reduce the sophisticated radical to a militant or utopian radical that desires to implement state communism or anarchy. The bottom row of Figure 5 summarizes the immature/mature fallacy by each political-economic type.

Notice again the characteristics of this immature/mature fallacy (which involves the horizontal and vertical dimensions) as opposed to Wilber's pre/trans fallacy (which only involves the vertical dimension). What is interesting is that only two levels need to be involved and *the fallacy does not depend on the progression from, for example, preconventional (against the war in the previous example) to conventional (for the war) to postconventional (against the war) as flip-flopping in views*. In Wilber's pre/trans fallacy, the pre and the post

level must share a view in a superficial way while disagreeing with the conventional view. Only two levels are specified in the immature/mature fallacy, but the fallacy requires at least two *types* of political-economic views, each with its own potential developmental progression that does *not* need to completely flip. For example, fundamentalist and sophisticated conservative types both advocate less government involvement than either the naïve or sophisticated liberal, so the sophisticated conservative view can be assumed to be a fundamentalist conservative view by the naïve liberal. *The immature/mature fallacy shows that misunderstandings related to interaction between agents at different levels can be more prevalent. Thus an integral model that integrates types within a line of development can be more powerful in understanding the source of misunderstandings and tensions. It also conveys transformational information regarding the dialectic of development.* Here, development even within the same type involves some degree of reconciling paradoxical partial truths of the lower (or less healthy) level for the emergence of a higher (or healthier) perspective. Each sophisticated political-economic type had to let go of the extreme reach of their immature version while including their partial truths. Although I do not argue the immature versions are necessarily fundamental stages through which one must pass on the way to becoming sophisticated, this dialectical progression is helpful in educating the immature versions and may prove insightful if fundamental stages are eventually established.⁶

Another interesting observation is that *the immature versions across types are not reconcilable, but the sophisticated versions are.* The immature versions are too far apart without first having some maturity within a type. Any proposed policy is a non-starter if the immature conservative wants only to deregulate and cut taxes, the immature liberal always wants more government intervention, while the immature radical wants to scrap the entire system. The three sophisticated varieties, on the other hand, are not *a priori* irreconcilable. That stated, there is still room for sophisticated agents of different types to disagree if they interpret the theory and data differently as applied to a particular policy consideration, or if they are not morally developed enough to agree to fair compromise when self-interests conflict. (Higher development in a given line, however, increases the odds that there will be correlative moral development.) Yet sophisticated viewpoints are not by themselves prohibitive of reconciliation. All sophisticated types can at least be theoretically open to some free-market allocation, sound government policy justified by theory and evidence, and broad-capital investment that should eventually be transformative. At the sophisticated level, the various types can be appropriate specializations of view in an integral economy to better assure each angle is examined during a policy debate or negotiation.

A well-established integral agent within the political-economic line is not likely to be strongly aligned with a particular type across the board of issues. This is consistent with the psychological data where 1) individuals lose close identification with a personality type at higher levels of development; 2) stage 6 cognition is one that can integrate the partial truths of many perspectives, and 3) stage 6 guiding values are to “express self for what self desires, but never at the expense of others and in a manner that all life, not just my life, will profit” (Spiral Dynamics, n.d.). These values, integrative ability, and lack of attachment to a particular type are likely needed to be able to reconcile the three sophisticated versions, at least when surrounded by the current first-tier American culture. A healthier, more capable political-economic culture should make it easier for agents at lower levels to at least sign up for a more mature reconciliation.

6. Conclusion

This Integral framework for political economy seeks to promote a higher-level perspective within a particular type. It is offered as a tool to foster easier transcendence of the limitations and overreach of political-economic immaturity while reconciling partial truths across types. A sophisticated reconciliation of conservative,

liberal, and radical views does not require an understanding of all the technical economic models and elitist jargon of economic experts. Integral agents interested in these issues can contribute by encouraging a reasonable discussion that would include economic justification for any proposed regulation or deregulation and government program or privatization. This justification should not be general, such as our system is plagued by inadequate regulation, but rather issue-specific, such as financial regulation needs to be re-examined because many new debt instruments are now issued by non-banking lending institutions that are not regulated like banks.

Distributional consequences and the effect on incentives must also be examined. After implementation, policies need to be reviewed from a perspective as wide and as inclusive as practically feasible to uncover any potential unintended consequences. More mature policies will more likely be passed if integral policy analysts address the differing needs of voters by level and type of development. Not everyone is interested in helping others, but as long as policies are perceived as fair and that all groups in our society are perceived as making requisite sacrifices, multiple sophisticated policies can be mutually reinforcing. Business groups, consumer groups, environmental groups, and government officials can all benefit within this setting, as compared to the current one, in which each group tends to blame another for bad, but co-created, outcomes.

Care must be taken not to present this information in a condescending form that accuses individuals of immaturity. Rather, a compassionate strategy in theory is to first resonate with less mature agents and honor their partial views as appropriate given their life conditions. Then one can work with their limitations in encouraging a more mature version within the same type. In this way, the change agent acts as a role model for the sophisticated version of the immature agent's preferred type, acting to open the agent to his or her more nuanced potential. One should avoid, at least at first, to emphasize another type's perspective to avoid defensive reactions in the immature agent and repetition of common, immature grooves in our socioculture. This insight takes into consideration the last specified component of the AQAL model, *states of consciousness*. We must be cognizant of the state of an agent and promote states more conducive to healthy translation, transformation, or transcription.

I also argue that the financial crisis of 2008-2009 may be understood as being started by immature tendencies on behalf of both conservatives and liberals that emanate from all major groups in American society (Bowman, 2010a). In Bowman (2010b), I apply the learning line of political-economic understanding to collectives. Newspapers, for example, can be conservative, liberal, or radical and will vary in their level of maturity. I cite evidence that many readers of newspapers prefer a typology to reporting to confirm their preconceived notions of political economy. There I also argue that our group identity tends to shade our typology, contributing to deflection of any role that each group (business, consumers, political parties, unions, etc.) plays in forming poor policy. By seeing the need for change in each of these groups, we can become liberated and see that there is not one group at fault. Rather, we come to recognize each group as essential, partially valid, and part of the solution. Working towards a virtuous cycle of mutually reinforcing sophisticated policies could be part of the meaningful work we are seeking, I believe. And this framework can act as a catalyst to raise our level of political-economic awareness, strengthen the integral tendencies within us, and help us to unite the overly antagonistic groups that affect policy in our society.

NOTES

¹ I am an American analyzing American economic policymaking. I expect that the framework can be useful for political-economic analysis elsewhere, but added context may be needed. For example, the two parties that dominate

the U.S. system, the primary elections that encourage relatively extreme candidates, American engagement in the Cold War, etc., contribute to what I am characterizing as the current, relatively unhealthy public discourse around U.S. economic policymaking. Discussions in other countries can vary in their degree of health, but are often shaped by the pro-state versus pro-market dichotomy, reconciliation of which can benefit from the integral political economy model.

²Excerpt C of Wilber's draft of *Kosmic Karma and Creativity* (2002) describes and contrasts the internal-external and inside-outside dualities. There, internal aspects describe aspects of a holon that follow the agency of its dominant monad (for individuals) or regnant nexus (for collectives). Inside means within the boundary of a holon. Inside aspects can be those that do follow the agency of the holon (such as the healthy arm of a human) or not (such as a parasite). As a typical economist here, I refer to pollution as being externalized by polluters and internalized by innocent third parties while labor costs are more fully internalized within the market transactions. Thus my (and economics') use of internal-external matches the inside-outside duality. Internalization and externalization are the dynamic drives associated with the internal-external realms. See Bowman (2009) for the full specification of dynamic drives associated with the dualities of interior-exterior, internal-external, individual-collective, higher-lower, and positive-negative. There, however, I did not realize that my use of internal-external matched Wilber's use of inside-outside, rather than his use of internal-external.

³For example, see Laszlo (2001, chapter 3) for data taken from UNESCO, the Food and Agricultural Organization, the United Nations, and other international bodies on the alarming decline of our natural resources.

⁴See McIntosh (2007) for more on an integrally informed world federation.

⁵The sophisticated conservative and liberal views can be mistakenly seen to fortify wealthy cronies tied to political leaders at the expense of the average citizen.

⁶The lessening of the reach allows for more of *the other type's partial truth* to be integrated. So it incorporates Wilber's important insights regarding the problems associated with quadrant absolutism (recognizing only one or two of the four quadrants, or in this case, only recognizing certain aspects of the alternative quadrants). For example, the fundamentalist conservative's partially true insistence on the private market being needed to assure freedom was scaled back to allow for instances in which collective decision-making is allowed. There is integration of partially true and competing views, hence the greater degree of complexity that emerges. The sophisticated versions still lean in a particular direction, but the quadrant absolutism lessens.

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INTEGRAL POLITICAL ECONOMY REDUX

A Critique of Bowman's "Integral Political Economy"

Robert Scott

The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. (Keynes, 1936/1964, p. 383)

Political economy emerged as a field of study in the 18th century. It analyzes the *economic affairs of the state* (Caporaso & Levine, 1992). Many scholars have written on this topic and expanded our understanding of it over the years. As such, it is probably impossible to construct a robust picture of political economy in one article because so many ideas and theories have been explored and tested over the years. Therefore, Professor Kevin Bowman's article is an ambitious effort guaranteed to fall short of capturing the complete scope of political economy. Nonetheless, I believe that Bowman is correct to introduce integral practitioners to political economy and start investigating the ways Integral Theory can improve it. It is important that we start developing new policies that better address pending economic issues that most influence people: falling real wages, rising unemployment, climate change, rising health care and higher education costs, globalization, and much more.

Although there are parts of Bowman's analysis I agree with, there are other parts to which I am diametrically opposed. Rather than focus on minor critiques, I have narrowed my arguments to three core issues that must be addressed in order to start to envision an integral political economy. First, Bowman's article is too narrow in scope. There are many other influential political economy philosophers such as Thomas Malthus, David Ricardo, John Stuart Mill, Thorstein Veblen, and others who made significant contributions to this field whose insights are ignored (not to mention more contemporary scholars such as Hyman Minsky, John Kenneth Galbraith, and Kenneth Boulding). I understand that Bowman is constrained by space, but one paragraph on each person in the right place would broaden his viewpoint and provide a better education for readers of this journal who know little—or perhaps nothing—about political economy. For readers interested in learning more about this subject, Robert Heilbroner's *The Worldly Philosophers* (1986) and Duncan Foley's *Adam's Fallacy* (2006) are both readable books of high quality.

Second, and most important, Bowman fails to mention in his article the contributions to political economy made by John Maynard Keynes (1883-1946). He does discuss Keynes briefly in his second article, "The Financial Crisis of 2008-2009" (see pp. 39-67). Not discussing—or even mentioning—Keynes in his article on political economy, however, is tantamount to writing a paper on modern psychology and not mentioning Sigmund Freud. Keynes played—and continues to play—a significant role in the development of the field and should be acknowledged. Keynes viewed economics as a moral science. He was interested in aspects

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of political economy that most affected people's lives: jobs and inequality. This perspective is one integral practitioners should embrace because they are two critical issues with which we are still dealing.

I believe Keynes' ideas provide insights that allow us to start moving toward a realistic integral political economy. In my opinion, it is impossible to develop an integral political economy without him. Keynes was distinctive because he was neither a radical anti-capitalist pro-state socialist (e.g., Karl Marx or Michal Kalecki) nor was he a *laissez faire* pro-capitalist anti-state conservative (e.g., Friedrich von Hayek or Milton Friedman). Instead, Keynes walked a fine line between these two extremes and argued successfully that a free market plays an essential role in the economy and government also plays an essential role. The two systems complement each other—though are always at odds. If the private market is given too much power it will erode regulations set by government in order to increase profit. Government must resist the private market's constant push to deregulate and provide public services and goods that the private market will not (or cannot). This balance is difficult to maintain because government needs to set limits on private market excesses without tempering innovation.

Keynes became famous after publishing *The Economic Consequences of the Peace* (1919), which detailed his experiences leading up to his resignation from Britain's Treasury because of his disagreement with the oppressive reparations placed on Germany by the Versailles Treaty. He predicted early on that placing high costs on Germany for damages from World War I would bring about future calamity, and most of his predictions came true (e.g., hyperinflation and government failure). Professionally, Keynes was actively involved in government and gave his advice regularly on current economic issues, so he not only theorized about political economy but also applied his ideas in the real world.

Keynes' most influential and important book is *The General Theory of Employment, Interest and Money* (1936/1964), which makes reasoned arguments against neoclassical economics (which he calls "classical") and, many argue, led to the development of modern macroeconomics. Keynes (1936/1964) states that money is unique. Neoclassical economists believe that money simply lubricates the real-exchange system by making transactions cheaper and simpler (i.e., money is neutral). Keynes argues, however, that money has special properties that lead to a *monetary theory of production*. Thus, money serves as a store of value, so people's expectations determine how much they consume or save, which directly affects the amount of employment and output an economy produces. For example, Keynes' *paradox of thrift* (which he knowingly borrowed from Bernard Mandeville's *Fable of the Bees* [1714]) states that if one person decides to save instead of spend, then that person is financially better off; but if everyone decided to save instead of spend, then the economy would shrink (Keynes, 1936/1964, pp. 359-364). Outcomes include high unemployment, falling wages, falling prices, and decreases in innovation. To solve this problem, Keynes argued that the government would have to increase its spending to make up for the lack of consumer spending—but only until consumers were less uncertain about the future.

Keynes emphasizes uncertainty as a principle role in economics. Not calculable uncertainty (such as is found in games of chance) but rather incalculable uncertainty that exists in the real world. It is the level of incalculable uncertainty among people that determines the strength of an economy. Pessimistic people are reluctant to spend money, which Keynes argues leads to lower employment and output. On the other hand, optimistic people are more likely to spend, which creates greater production and employment. This uncertainty is in part measured by what he calls "aggregate demand," so that people's demand for goods and services is related to expectations about the future. Neoclassical economics adopts John Baptiste Say's theory that "supply creates its own demand," whereas Keynes argues that it is demand that creates supply. For Keynes, people choose

how much of their incomes to spend (marginal propensity to consume), and if they decide to save, then the macroeconomy is weakened because saving does not—unlike in neoclassical economics—necessarily equal investment; rather, it is investment that largely determines saving—and investment too is a function of uncertainty.

In the concluding chapter of the *General Theory of Employment, Interest and Money*, Keynes (1936/1964) states, “the outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes” (p. 372). Both of these issues have Left-Hand consequences with interior dimensions. Keynes argues that in a free market-oriented system, full employment is unsustainable because businesses would have to push wages so far down that people’s incomes would be insufficient to absorb the excess production. Therefore, involuntary unemployment plagues the economy. Since consumption plays an integral role in the economy, a strong labor market is needed to raise workers’ optimism and get them to spend their wages on goods and services in the economy. Also, higher wages generally lead to greater demand and more output, so sustainable income (living wages) is necessary to keep aggregate demand high. This is a concept strongly opposed by neoclassical economists. However, David Card and Alan Krueger’s (1994) study showed that when minimum wages were significantly increased, not only did it not increase unemployment but rather, as Keynes predicted, it increased the number of jobs and stimulated the local economy. Where the free market wants to lower wages and lay off workers during difficult times, according to Keynes, this is the exact opposite approach needed to reverse an economic downturn. As a result, the government needs to serve as a backstop to ensure that wages do not fall too fast too quickly—ideally they would not fall at all—and that employment is high.

Inequality of income and wealth are at historically high levels in the United States. The middle class is rapidly shrinking and the United States is becoming a two-class society (top 20%, bottom 80%). In the past 25 years, there has been a significant shift of wealth in the United States from the many to the few. This change has not happened by chance; it is a direct result of public policies (free trade, tax benefits for the wealthy, reduced social safety nets for poor families) that create greater inequality—thus ensuring large financial returns for the upper tier and greater job (and thus financial, health, etc.) insecurity for the bottom 80%. This 25-year trend will not reverse itself easily or without great effort. It takes an understanding that inequality hurts all of society (not just the bottom 80%) in often immeasurable ways (Wilkinson & Pickett, 2009).

Many people incorrectly assume that recent policies initiated by the United States government are the same ones Keynes would have proposed (e.g., stimulus package and financial bailouts); but this is misguided. Keynes never stated that *all* fiscal policy (government spending) was good. He did state that government spending would increase production, investment, and *public* consumption, but how effective this spending is depends on *what* the money is spent on. Keynes believed in guiding fiscal policy so the money is spent in the most efficient way. For example, Keynes advocated *social investment*, so fiscal policy should be focused on helping the largest numbers of the population in ways that give a positive return. He argued for spending on education and other services that would give the largest return. Current policies, unfortunately, are using a poor interpretation of Keynes’ ideas.¹

Third, Bowman does not clearly illustrate his vision of an integral political economy beyond suggesting that current political lines must become blurred (i.e., moving from naïve to sophisticated conservative-liberal-radical perspectives). He then attempts to use his integral political economy model to interpret the current financial crisis. The problem with this is that his model does not rely enough on empirical evidence but rather on stringent labeling of ideas and people as fitting into one of his four pre-determined categories. This is an

inadequate approach to understanding the economy. It is best if, like Keynes, integral practitioners focus on issues (e.g., employment or climate change) and use sensible logic to solve problems in ways that move us toward an integral platform. We must move beyond liberal and conservative labels and instead think about what issues are important to investigate.

I believe a more dramatic transformation must occur in order to start a transition toward an integral political economy. Since I believe Keynes' ideas are critical in attaining this goal, it is important that I present my brief vision of what must happen for an integral political economy to emerge. Like Keynes, integral practitioners must view political economy as a moral subject that is dynamic not static. But Keynes' ideas alone will only start moving political economy in the right direction—it cannot take us the whole way there. In order for the field of political economy to respect all four quadrants of the AQAL model, it must move beyond the limitations of a monetary production economy (what that ultimate system will look like I cannot pretend to imagine). However, in order to get there, necessary changes in the system must occur—no “natural” market forces will push us toward greater equality; it will take conscious effort.

Let me restate that Keynes' political economy perspective (and others, such as John Kenneth Galbraith, E. F. Schumacher, and John Commons) argues that an economy must provide for all citizens—not just a fortunate few. This requires carefully balancing the power of the private sector with that of the public sector. Ensuring people have equal access to quality education, health care, and employment opportunities are realistic policy objectives. For example, Social Security is currently under attack by many politicians, yet it is extremely popular and efficient. It keeps roughly 40% of elderly Americans out of poverty. People who believe Social Security is financially unsustainable may be correct, but a sensible solution exists. Saving Social Security requires a simple tax adjustment: raise the Social Security wage base. Currently, people who work pay 6.2% of their income in Social Security tax and their employers also pay 6.2%. However, the current wage base limit is set at \$106,800, so that someone making this wage base income will pay \$6,621.60 in Social Security tax; and someone who makes \$10 million also pays \$6,621.60 in Social Security tax. So, the simple solution is to raise the wage base so it applies to all incomes, consequently securing Social Security's solvency for many decades—and even reducing income inequality a little (although more comprehensive tax policy changes are required to reduce inequality in a significant way). This is one example of many where politicians have become “slaves of some defunct economist,” and it is why integral practitioners must engage in political economy discussions. Integral practitioners should argue that a healthy economy is one that *puts people first*—their jobs, incomes, health, education, and so on. If the government can afford to spend over \$1 trillion bailing out Wall Street, it has the power to also fund social programs that provide a net positive social return to society. Political economy is dynamic and flexible. Because the future is unknowable, it is malleable and will therefore reflect our values and goals. As such, a better vision for a future political economy must be developed so a more equitable society can emerge.

Conclusion

Kevin Bowman's “Integral Political Economy” is a necessary first step toward opening the discussion of why we should be interested in political economy. However, I have provided several arguments above for why his analysis does not go far enough and misses essential elements required to move the economy toward a more integral state. And when he uses his model in “The Financial Crisis of 2008-2009” (that is, actually, continuing in 2010) the result is adequate in explaining the main factors that are causing the crisis, but still falls short in presenting an integral explanation of how to move forward and avoid these crises in the future. One thing is clear: this is only the start of the debate that will lead us toward a more integral political economy.

NOTES

¹ This school of economic thought is labeled as Keynesian economics, but has little to do with what Keynes actually wrote. Instead, Keynesian economics (also called the neoclassical synthesis) was developed by John Hicks in the late 1930s to merge Keynes' economics with neoclassical economics (something most readers of Keynes believe is impossible; at the end of his life, Hicks denounced his own ideas arguing that a Keynesian synthesis was impossible). Unfortunately, Keynesianism became popular and eventually showed itself to become untenable. What we are seeing now is a return to these misguided ideas instead of analyzing what Keynes actually wrote, which is that government spending must be focused on creating greater equality of incomes and wealth and generating employment—and these should be done in a way that distributes the benefits to the many and not the few.

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INTEGRAL POLITICAL ECONOMY, REJOINDER

A Response to Scott

Kevin Bowman

If one is searching for a wider truth, it is liberating not to be attached to the location of, or implications of, that truth. It is that liberation that will help lead one closest to one's most attainable approximation of underlying reality. If one's perspective is constricted and guided by preconceived understanding, one can easily see a reality that supports any political-economic ideology. Essentially, integral political economy (IPE) is a theory constructed with the aim of a broader perspective for economic policy-making. Its construction follows the methodology used by Ken Wilber (1995), in which one seeks to orient and integrate the partial truths of the orienting generalizations available. Doing so, if successful, tends to render various existing perspectives partially true, but also limiting and overly stretched in their applications. IPE does not choose sides when there is theory and evidence that supports contending political-economic views, but instead works to reconcile them. IPE does not champion certain theorists; it empowers the user of the model to use the many available economic tools more skillfully and appropriately.

I am thankful to Professor Robert Scott (2010) for taking the time to critique IPE and its application to the recent global financial crisis. In this rejoinder, I will respond to his three criticisms, tackling the first two jointly. The first criticism is that IPE "is too narrow in scope," failing to mention certain theorists (p. 28). The second criticism is that it "fails to mention...the contributions to political economy made by John Maynard Keynes" (p. 28). The power of Integral Theory is its ability to orient and reconcile various theories and evidence. It is not a mere collection of theorists (i.e., "heapism"). Also, no economic model should be asked to stand apart from the economics literature. *Scott never points out how the IPE framework fails to accommodate any single important economic theory or theorist, nor does he show that IPE mistakenly contradicts any important economic theory or fact.*

To point out the importance of Scott's omissions, I will summarize the introductions of my articles in this issue, "Integral Political Economy" (Bowman, 2010a) and "The Financial Crisis of 2008-2009" (2010b), in a way that is more natural for a reader schooled in the principles of economics, but not in Integral Theory. Political-economic conservatives, as I use the term, tend to advocate a relatively heavy reliance on free markets to allocate scarce resources. They recognize or emphasize the positive aspects of the private sector and the negative aspects of government involvement in economic affairs. Liberals, on the other hand, tend to advocate for a larger role for government intervention in the economy. They recognize or emphasize the value of government and the failures of markets. Essentially, radicals recognize or focus on the negative aspects of both the market and government involvement within the capitalist system. Figure 1 schematically summarizes the area of economic reality recognized or emphasized by each political-economic type. Figure 2 lists some of the major positive and negatives aspects of each sector as described in detail in Bowman (2010a, 2010b). I describe those items that tend to be considered microeconomic issues in the first article (2010a) and those that are generally macroeconomic in the second article (2010b). I hypothesize that immature agents only acknowledge or recognize the area within their own ovals (see Fig. 1). Unlike immature agents, sophis-

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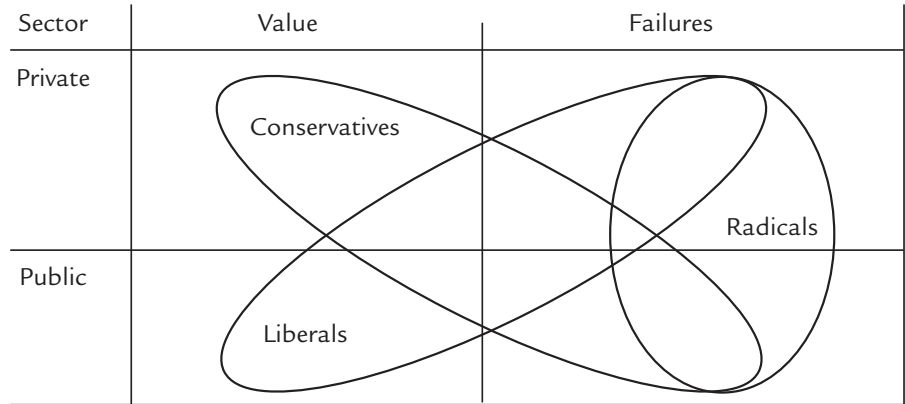


Figure 1. The portion of economic reality recognized or emphasized by political-economic type.

ticated agents do not suffer from absolutism. They recognize aspects of all four spaces in Figure 1 (the value and failures of both sectors), but they do tend to emphasize the areas within their own ovals (such as the value of markets and government failures for sophisticated conservatives).

Every major pair of principles of economics textbooks, with one devoted to microeconomics and the other to macroeconomics, presents all four areas of Figure 1, and most of the specifics of Figure 2. The overwhelming consensus is that there is value to private markets and to government in directing scarce resources, but that each sector is also prone to fail in certain ways. Scott agrees that there is value to both sectors, but he does not acknowledge the ways in which governments fail in key points of his analysis. If one is to follow the methodology of accommodating orienting generalizations, then these four areas of Figure 1 surely must be more important for political economy than mentioning any specific theorist by name. I stated that I was not listing the value and failures exhaustively, but rather mentioning the main issues.

Keynesian economics is best known for the macroeconomic implications of the inflexibility of prices in the short run and the sometimes irrational behavior of, or the role of changing confidence within, economic agents. Both of these items are specifically mentioned and credited to Keynes in Bowman (2010b) as reasons that markets can fail. Irrational behavior was analyzed in great detail as playing a role in the speculative formation of the bubbles associated with the financial crisis of 2008-2009.¹ These issues give support for government to engage in short-term stabilization policy and regulation of financial markets, both of which were mentioned in Bowman (2010b). I am not clear as to why Keynes needs to be specifically mentioned, however, in Bowman (2010a) to build a useful framework for economic policy analysis.

All of the views espoused by Keynes and specified by Scott are accommodated in general terms by acknowledging the value and failures of private and public sectors with the insistence that we look to theoretical reasons supported by evidence when we evaluate either sector. *All specific views by Keynes that Scott points out are clearly included in IPE—not just theoretically but addressed concretely and specifically* (i.e., the role of government to stimulate aggregate demand, the potential irrationality of the market, the value of markets and government, the need to resist firm's constant call for deregulation while still allowing firms to innovate, the non-neutrality of money, the desirability of government looking out for the interests of all and not just select groups, and the government's need to promote education and provide public goods). Not all of these issues, by the way, were novel contributions made by Keynes.

Now, unlike some Keynesians, I also insist on acknowledging government failures that can occur in conducting government policy even when governmental intervention is justified by economic (such as Keynesian) theory. Government failures are why the government at times spends stimulus funds that do not meet the cost-benefit test, an argument I made in Bowman (2010b). Scott (2010) ignores this argument when he states “...how effective this spending is depends on *what* the money is spent on” (p. 30). So why not take a closer look at government failures and the way in which policy is made with an understanding of how individuals and groups that affect policy perceive economic reality?

Scott’s (2010) third and final criticism is that, “Bowman does not clearly illustrate his vision of an integral political economy beyond suggesting that current political lines must become blurred” (p. 30). It is odd to me that Scott does not critique the specifics of IPE such as the four-quadrant, many-level approach to capital; political-economic understanding as a learning line of development; the immature/mature fallacy; and the multiple stakeholder view of policy making. Why are these elements helpful or not? The closest he comes to addressing these items is when he states that “his model does not rely enough on empirical evidence but rather on stringent labeling of ideas and people into one of his...pre-determined categories” and “falls short in presenting an integral explanation of how to move forward and avoid these crises in the future” (p. 31). Scott states that “we must move beyond liberal and conservative labels,” advocating that “it is best if, like Keynes, integral practitioners focus on issues...and use sensible logic to solve problems” (p. 31). That is what I suggest sophisticated agents do, and moving beyond labels is the reconciliation that IPE performs. *But we must also deal with a culture in which policy is influenced by voters, consumers, politicians, professional economists, news/entertainment outlets, and so on, that do not live up to that ideal and do occupy the holarchical space defined by the immature conservative, immature liberal, or immature radical morphic grooves.*

Sector	Value	Failures
<p>Private</p>	<ul style="list-style-type: none"> • Invisible hand • Competitive allocation of scarce resources • Hard budget constraint • Borrowing constraints for education • Cost reductions in firms • New product development, including financial innovation 	<ul style="list-style-type: none"> • Externalities • Financial contamination • Short-term incentives and inattention to aggregate risk • Borrowing constraints for education • Anti-competitive consolidation • Rent seeking • Sticky prices
<p>Public</p>	<ul style="list-style-type: none"> • Taxing negative externalities & natural resources • Anti-trust regulation • Financial education • Public goods provision • Inflation-output monitoring • Regulation of excessive risk • Deposit insurance • Short-run stabilization of aggregate demand 	<ul style="list-style-type: none"> • Special interest persuasion • Logrolling • Moral hazard • Pandering populism • Imperfect modeling of the economy • Soft budget constraint

Figure 2. The value and the failures associated with the private and public sectors.

In some ways, Scott falls into the less-than-sophisticated liberal trap. Notice that Scott spends a disproportionate time on liberal Keynesian economics even though that view is accommodated by, and specifically included into, the IPE framework. Furthermore, Scott never mentions any government failures that may prevent us from implementing liberal prescriptions when those prescriptions are appropriate. He essentially ignores the way in which I use public choice and institutional economic theory to argue the necessity to examine the political process. He argues that “integral practitioners must engage in political economy discussions,” and then goes on to complain about how the bailout in response to the crisis was spent (p. 31). This type of analysis is blind to how economic policy is formed. It assumes that if we just understood Keynes better or if members of the economics profession could only see the economy more integrally, then we would suddenly have better policy. He mentions that there are solutions to the looming insolvency of Social Security. I agree, but those solutions have not yet been implemented, not for a lack of solutions, but largely because of stakeholder groups fighting for self or group interests, often citing immature ideology.

It is worth noting that Scott does say that I am “adequate in explaining the main factors that are causing the crisis” (p. 31). I am not sure why he essentially prefers to ignore the components of IPE, given its explanatory power, when it is shown that most commentators of the crisis across the political spectrum give conflicting explanations. So is it not a contradiction by Scott to fail to acknowledge the value of differentiating political-economic understanding by type and level, which was essential to understanding the implementation of poor policies that lead to the crisis and the lack of consensus today on its causes?

What I perceive as Scott’s desire to abandon the notion of political-economic understanding as a learning line of development with various typologies in favor of sophisticated analysis is, therefore, analogous to saying that Ken Wilber should focus on describing the capacities of post-conventional awareness while throwing out his insistence that pre-conventional and conventional agents exist, and that there are cases of confusion between post- and pre-conventional analysis. Would Scott ask us to throw out one of Wilber’s most profound contributions, the pre/post fallacy? The immature/mature fallacy of IPE helps us understand why commentators give conflicting explanations of the crisis. The elucidation of the fallacy also gives the reader a better tool to avoid the immature morphic grooves within American political-economic culture.

Despite the space devoted to Keynes, Scott does nothing to show how Integral Theory could expand on Keynesian ideas. IPE’s four-quadrant approach to capital can add insight into demand- and supply-side aspects of the economy (where Keynes emphasized the demand side). IPE analyzes the interactions of agents by level and stakeholder group showing that their morals and values impinge on policy and public investment decisions. The way we work and consume also matter for how the economic system satisfies needs by level, type, and group.

Integral political economy has testable implications, including how agents view political-economic reality and how their understanding of it develops. Scott is correct that more empirical evidence is needed to establish political-economic understanding as a learning line of development, as I acknowledged in Bowman (2010a), but without specifying it first theoretically, any attempt to uncover it could suffer from the immature/mature fallacy. Again, as it was shown in Bowman (2010b), even Ph.D. economists suffer from less-than-sophisticated ideological trappings, so they may be prone to reduce sophisticated analysis of another type to immature versions. Thus the immature/mature fallacy, if not recognized, could bias any empirical investigation without sound theory in place as guidance. Because of IPE’s explanatory power and its sound theoretical and anecdotal evidence, IPE warrants serious consideration of its main features. Scott is free to ignore rather than actually analyze these features if he so chooses, but his failure to analyze them leaves his criticisms

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unsubstantiated. In my opinion, those criticisms are generally invalidated or trivialized with the analysis of this rejoinder.

In theory, IPE claims that fundamentalist conservative and naïve liberal agents suffer from sector absolutism (only seeing the value of one sector and the failures of the other) while utopian radical agents suffer from shadow absolutism (only seeing the shadow of the current system, not its value). This sort of absolutism among first-tier agents is different, but quite consistent with the absolutism Wilber has pointed to. I use specific examples that represent my interpretations of the main teachings found in economics when viewed with Wilber's developmental model, but Scott does not address specifics in his criticisms. The reader should not accept my opinions blindly, but instead is invited to engage as an essential member of the integral stakeholder group working to bring about a centauric political-economic culture.

So IPE does not offer the type of solution Scott seems to be looking for, but a way forward is offered, a way that is clearly specified but ignored by Scott. I demonstrate that investments into higher-order four-quadrant capital, including moral and values development, are conducive to a more mature economy. Greater economic education guided by IPE would also help raise the level of political-economic debate. Integral change agents can work to address needs by level of agents consistent with a centauric culture that operates from integral-level capital, and so on. Specific reform measures can be analyzed, but useful reform measures are not adequate without an understanding of how stakeholders view economic reality in partial ways with limited interior capital. Just as with Social Security, there are sensible solutions to avoid future crises, but the strength of IPE is for a better understanding of the political-economic process. In-depth analysis of specific reform measures are left to other researchers specializing in these areas, but some ideas were mentioned as consistent with the inclusive analysis of what caused the recent crisis (e.g., higher and pro-cyclical reserve requirements for all financial firms, breaking up financial firms too big to fail, regulating financial instruments that overly leverage the system, paying attention to aggregate measures of sustainability, tighter monetary policy, dealing with looming financial and environmental liabilities, investing in the disadvantaged rather than weakening lending requirements, etc.)

Prior to making suggested broad-capital investments, which can further develop agents, I have recommended using IPE to better analyze policy and to better relate to the immature tendencies within our culture, to resonate with their partial truths, and to be role models for the more mature versions within their preferred types. Let us help steer the political-economic dialogue with liberated detachment from preconceived ideology in our quest for more truthful, just, and sincere policy formation.

NOTES

¹ I am puzzled why Scott points out that the crisis continues into 2010 without providing an explanation. The Bureau of Economic Analysis (2010a, 2010b) reported that U.S. real GDP stopped shrinking by the third quarter of 2009 when it grew at an annualized rate of 2.2%. It then grew at an annualized rate of 5.6% in the fourth quarter of 2009 and at 3.2% in the first quarter of 2010, suggesting that the recession was over by the start of 2010 when measured by positive GDP growth or even by typical growth rates.

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