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# The poverty of Micro-Economics

## An essay on the relationship of theory and policy

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In his memoirs, Teddy Prager kindly remembered how, as a fellow-student, I expressed scepticism as to the evidence given at the Moscow trials of 1937. Our paths diverged widely, geographically and ideologically, but I think we both share a concern for economics of socialism, and therefore also an interest in public enterprise in its many forms. Of course, activities do not become socialist merely by being public. Was it not Engels who remarked that, were it so, the first socialist institution was the regimental tailor. Some socialists are apt to dismiss the experience of nationalized industries in capitalist countries as irrelevant. However, they are wrong on two counts. Firstly, most of the problems encountered in administering and evaluating the performance of nationalized industries occur also in countries calling themselves socialist. Secondly, inadequacies in the operations of nationalized industries can help to discredit the socialist idea among the victims of these inadequacies, i. e. the general public.

It is my contention that Western "mainstream" micro-economics has not been helpful, indeed has on occasion been positively misleading, in the search for operational criteria. Furthermore, the teaching of economics has become less relevant, in these (and perhaps in some other) respects since the days when Teddy and I were at the London School of Economics. It so happened that I was out of academic life, first in the army and then in the civil service, for twenty years.

When I returned, I soon became aware how far out of touch I was with modern economics. But equally there arose a strong impression that modern economics was far out of touch with reality, indeed further out of touch than had been the case in my student days. True, there had been an interest in growth, a word which never seemed to have been mentioned in courses I had attended at LSE. True also that there had