
BOOK REVIEWS

EIGHT MORE ARGUMENTS FOR CHANGE

This final section of the journal's special issue on what's wrong with economics considers the contents of eight recently published books that relate to this theme. The first three present different critiques of economic orthodoxy – emphasising ethical, scientific and pragmatic concerns. The next two present critical perspectives on the primacy of economic growth and the reproduction of global poverty, features of the real world for which the authors say mainstream economics provides support and legitimacy. Then comes a comprehensive compendium of heterodox economic alternatives, and another exploring the case for a pluralist approach to political economy. Finally, there is a book that looks at how the orthodoxy reproduces itself in universities and assesses the options for challenging it. The following reviews of these eight books have been written to stimulate further interest in the important issues with which they engage.

Q: Why don't economists understand the economy?

A: Because they don't take account of social ethics and political power.

Mike Berry

Morality and Power: Ethics, Economics and Public Policy

Edward Elgar, Cheltenham, 2017, 339pp., \$189, hardback.

This outstanding book shows why mainstream economics, purporting to be the premier social science, is really neither social nor scientific. Economists' standard assumption of individual rationality ignores the social context, values and power structures that shape actual economic decisions, behaviour and outcomes. Mike Berry's new book takes us through the evolution of key economic ideas about markets, efficiency

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and welfare, showing how economics lost its way as a guide to useful public policy. It shows how an explicitly ethical alternative could help us deal better with modern challenges like financial instability, economic inequality and environmental crisis.

Mike Berry is best known for his previous writing on urban political economy. Now retired from his position at RMIT in Melbourne, he has been turning his attention to other themes. His book on the ongoing relevance of the writings of Canadian political economist John Kenneth Galbraith, particularly *The Affluent Society*, was reviewed in a previous issue of this journal. In this brand new book he turns his attention to a broad assessment of mainstream economics, its analytical foundations, influence and policy implications. The linking theme is the importance of considering the ethical dimension in economic inquiry and analysis. It is well known that mainstream economists have had a tendency to claim that their work is value free. It is equally commonplace to observe that it usually isn't. So the key questions are: what values enter the analysis, implicitly or explicitly, and what are the consequences? These are the issues that Berry's book is concerned to elucidate.

The book has three main sections. Part one looks at the foundations of economic thought. This historical perspective goes back to the writings of early classical political economists and the influence of philosophers such as David Hume and Jeremy Bentham. Attention is given to John Stuart Mill and the subsequent 'retreat to the margin' that came with the marginalist revolution and the emergence of neoclassical economic theory. The 'Marshallian fudge' that claims economists base their reasoning on 'as if' reasoning comes in for particularly strong criticism.

Part two raises some thorny questions about the nature of economic analysis. What do economists mean when they talk of economic welfare? What is efficiency? What is the role of social justice in relation to economic policy? Is democracy possible? Berry's analysis emphasises some of the internal contradictions and limitations of mainstream economic reasoning, and posits an alternative 'consequentialist' framework. In his own words, we should 'distinguish the role of moral and other normative/affective factors in determining how people behave in society from ethical judgements of the rightness and goodness of that behaviour, by directing attention to the "wide consequences" resulting' (p.194).

Part three uses this framework to interrogate an array of policies which mainstream economists have endorsed. These include policies that have supported the privatisation process, increased inequality and created the conditions for greater financial instability. Berry argues that economists are significantly players in processes producing financial crisis, environmental crisis, population crisis and the 'hollowing of democracy'.

He concludes with an epilogue that puts the case for 're-capturing the high ground'. He acknowledges that this will be no easy task because today's dominant class has a tenacious grip over economy and society. He says: 'prising lose their grip will be a mighty challenge...One useful asset in taking on the challenge will be to replace an increasingly inadequate economic discipline with a political economy built on a broad concept of ethically motivated subjects and politically conditioned outcomes' (p.313). This is not a call for the overthrow of capitalism: rather, it is a call for a new Enlightenment in which public policy is driven by a combination of reason and ethics, rather than vested interests and what Galbraith called 'the conventional wisdom'.

Edward Fullbrook

Narrative Fixation in Economics

College Publications, London, for World Economics Association Books, 2016, 166pp., \$32.00, paperback.

This important book burrows deeply into what's wrong with the orthodoxy, arguing that the attempt to develop economics as a science rests on shaky foundations. The notion of 'narrative' provides the book with a distinctive central theme. All narratives are based on a underlying conceptual framework, including assumptions about what matters and how knowledge advances. Fullbrook carefully and systematically documents what is distinctive about the narrative associated with the neoclassical economic approach. Its elements are assumptions about rationality and independent action in the world where, in reality, almost all of our behaviour is shaped by interdependence and reciprocity. More than that, it rests on a method of analysis that is effectively closed to ideas and alternative ways of seeing. 'Thinking like an economist', to use

Paul Samuelson's well-known phrase, is revealed as a straightjacket rather than a means of open-ended inquiry.

Fullbrook's critique makes a plea for an alternative approach to economics if it is to be more consistent with the best practice in subjects such as physics. He contends that mainstream economics is still trying to emulate the physics of the 19th century based on Newtonian principles, rather than the principles and practices of modern science. A reflexive pluralism is needed, and that is what is now so evidently lacking in the economic mainstream.

The book develops its arguments with reference to complex matters of ontology, epistemology and methodology, so it is not an easy read. It is written with great clarity, however, such that anyone seriously concerned to understand the issues can follow the arguments. In order to ensure that his critique is not denigrated as attacking a straw man – which is a commonly attempted self-defence by mainstream economists who claim that the subject has moved on to develop its own 'internal heterodoxy' - Fullbrook incorporates game theory and other variations of their modern practices into his critique. He shows that these are largely rooted in the same assumptions about the nature of science and scientific progress.

One important lesson from the book is that the call for pluralism should not be conflated with the existence of heterodoxy. People working within particular schools of heterodox economics can be just a single-mindedly monist in their method as are neoclassical economists. Pluralism requires that, whatever the investigation, there should be openness to alternative ways of seeing and alternative types of knowledge.

Ed Fullbrook has been a significant figure in developing the challenge to mainstream economics. He has written and edited an array of previous books, while also coordinating the contributions of many other dissidents and activists challenging the orthodoxy. He was one of the first to discern the significance of the emergence in France of the post-autistic economics movement, and has been an active participant in facilitating international institutions seeking to promote a pluralist economics.. Based in the UK, he has been a 'go-to person' for tapping into networks of dissident economists worldwide. This addition to his books about the fundamental problems of orthodoxy is particularly valuable and warrants widespread attention.

John M. Legge

Economics Versus Reality

Transaction Publishers, New Brunswick and London, 2016,
318pp., \$74.00, paperback.

The late Australian political economist Ted Wheelwright argued that mainstream economics would be continuously vulnerable on two flanks. It would be resisted and rejected by political economists concerned about its tunnel vision and pro-capitalist bias, while also facing recurrent criticisms from practical business people who see the orthodox theory as inadequate for dealing with the actual conditions and challenges in the real world. John Legge's book is in the latter category. Legge himself is ideally placed to develop this critique, because he is a former businessman who became a university academic, teaching economics in relation to marketing and management. His view, in a nutshell, is that the influence of neoclassical economics has been entirely unhelpful and that a more practical alternative can be built on the foundations laid by J.M. Keynes and Joseph Schumpeter. The latter are said to be the greatest economists of the 20th century, a view that many would echo, and they are clearly the 'heroes' in his analysis of what needs to be changed.

The book is packed with insight, irony and occasional humour. Most importantly, it reflects a 'real world' perspective (although sceptics might well ask which of many possible views of the real world are being emphasised). The author's comments on the relationship between economics and engineering are particularly interesting, reflecting his own background as an engineer.

The critique presented in the book ranges widely over various aspects of economics as it is taught to undergraduates. The concept of competition as a market *structure*, rather than a *process* of trying to be a winner, is particularly trenchant. As Legge points out, the latter is the character of actual business competition. The book also has chapters on money and banking, the shaky foundations of macroeconomics, inflation, labour market, growth, investment, externalities, corporations and much else besides. In each there is succinct statement of the prevailing orthodoxy, coupled with astute observations about what really happens in the world of business. The book shows the huge gulf between mainstream thinking/teaching and what really needs to be understood for practical

decision-making. Legge posits that neoclassical theory is inadequate as a guide for business practitioners and that the associated neoliberal policy program is equally inadequate as a means of aligning the economy with reasonable social objectives. On privatisation, for example, he concludes (p.296) that 'the case for privatising natural monopolies is based on false theories and has been exposed as bad for consumers in practice. Such enterprises should be taken back into public ownership as rapidly as possible.'

John Legge's book can be recommended for its down-to-earth approach to economics, showing many insights into why mainstream economic theories recurrently fail the real-world test of practicality and usefulness. As one might expect of a book looking from the perspective of relevance and usefulness to real world business, the ultimate prescriptions are not radical. One may detect some similarity with Malcolm Turnbull's rhetoric about jobs and growth, for example, although the preferred means of reaching those goals are quite different. For Legge, jobs and growth are more likely to come from the application of Keynesian ideas about employment and Schumpeterian ideas about innovation. In the end, aiming for a European style 'social market economy' is the main prescription.

Haydn Washington

Positive Steps to a Steady State Economy

Campaign for a Steady State Economy (CASSE), Sydney, 2017, 443pp., \$25.40, paperback.

A different type of critique of mainstream economics and, more particularly, the market economy that that it depicts and idealises, questions the primacy of economic growth. Can or should growth be infinite? There have been big thinkers throughout the history of economic ideas who have expressed doubts, few more so than John Stuart Mill who looked to a future 'steady state economy' as a desirable end to the growth orientation of the existing economic system. More recently, environmentalists have warned of the limits to growth, pointing to the ultimately inevitable exhaustion of finite and non-renewable resources and the cumulative stresses that result from plundering nature to fuel growth of production and consumption. There is also a growing

body of knowledge to suggest that, beyond the elimination of poverty, further acquisition of material goods has only a weak correlation with improved social well-being. The evidence from 'happiness research' indicates that living in harmony with each other and with nature is more important than pumping out more commodities.

During the 20th century, economic growth was unquestionably the principal driver. Getting bigger and faster GDP growth had the support of mainstream economists who view it, in effect, as the be all and end all of economic activity and economic policy. This book presents a critique and alternative, foreseeing the need for a steady state economy and exploring the steps necessary to make the transition. The most well-known international guru of modern steady state economics is Professor Herman Daly who has written the forward for this book. The other contributors are largely Australian, including people such as Paul Twomey, Mark Diesendorf, Phil Jones and Anna and Eva Schlunke who are active in the Australian chapter of the Campaign for the Advancement of a Steady State Economy (CASSE). Environmentalist Haydn Washington has put together a wide-ranging collection of articles on what a steady state economy implies and how we would need to do to get from here to there.

The positive steps that the book discusses include challenging the primacy of GNP as the principal indicator of economic health, moving to a more stable economy that emphasise human needs, stabilising population, reducing consumerism, cutting the throughput of resources and creating an ecologically sustainable energy system. Consideration is also given to the importance of reducing economic inequality, including the possible introduction of universal basic income, as a complement to moving towards sustainable economic arrangements. Banking systems, tariff structures, education, communication, local government and many other topics also get a guernsey. There are 35 chapters in all, about a third of them being written by the editor himself. This is the book to dip into in order to get a feeling for what embrace of the steady state economic principle would entail in practice in a country like Australia.

While mainstream economic thinking reigns and the 'jobs and growth' mantra is endlessly chanted by political leaders these anti-growth ideas have difficulty in getting a hearing. The prospects for the future of humankind really require us to think carefully about the alternative that this book advocates.

Benjamin Selwyn

The Struggle for Development

Polity Press, Cambridge, 2017, 195pp., \$35.95, paperback.

The concern with poverty in developing countries is a field in which the application of mainstream economic thinking is particularly contentious. This book presents a critique and alternative. The focus of the critique is particularly on the so called anti-poverty consensus (APC) and its pernicious effect on the experience of poorer nations. The smooth rhetoric of international agencies such as the World Bank and IMF contrasts with the continuing harsh realities in the poorest countries. Selwyn is also critical of the so-called anti-poverty counter-consensus (APCC) to which writers such as Amartya Sen, Joseph Stiglitz, Thomas Piketty, Branco Milanovic, Ha-Joon Chang and Robert Wade have contributed. While acknowledging the good intent behind the latter contributions, Selwyn punches big holes in the APCCs narrative, arguing that it 'shares much common ground with the APC' (p.7). He contends that more unites than divides them, because they share common assumptions: that economic growth is the basis for human development; that it should be based on capitalist property rights; and that policies should seek to improve rather than replace the essentially exploitative capital-labour relations. His critique leads into the advocacy of an alternative approach to resisting exploitation through 'labour-led development'.

The book begins with a chapter dramatically called 'the big lie' which sets the tone for Selwyn's trenchant critique. Next comes a chapter on capitalism and poverty which documents the inequalities that continue to exist because of their close relationship to the social reproduction of capitalism, including its relationship to gender inequality, racism and the commodification of nature. The third chapter looks at poverty and the world economy, emphasising that global business reproduces poverty by the way in which it segments workforces to serve the profit-oriented goals of transnational corporations. The fourth chapter then returns to the question of how conventional anti-poverty programs fit into this world. Capital-centred development theory and practice is revealed as the problem. Selwyn argues that this capital-centred approach has its roots in particular economic thinking, including statist political economy, while some elements of modern Marxism also come under critical scrutiny.

The final two chapters of the book posit a progressive alternative. The penultimate chapter gives numerous examples from around the world of struggles that achieve empowerment of workers, while the final chapter talks about ‘democratic development beyond exploitation’ as the longer-term goal. Themes include discussion of banks and economic democracy, universal basic income, ‘industrial policy for a green transformation’, agrarian reform, sharing and reducing work, and protecting and learning from indigenous peoples.

Selwyn’s book is a rallying call for an activist-oriented approach to understanding the challenge of development worldwide. Students taking conventional courses in Development Economics should certainly read it, as should all who have misgivings about conventional development practices, whether well intentioned or not. It is a strongly argued example of how a radical political economic perspective enables a different way of seeing global challenges today.

Tae-Hee Jo, Lynne Chester and Carlo P’Dippoti (eds)

**The Routledge Handbook of Heterodox Economic:
Theorising, Analysing, and Transforming Capitalism**

Routledge, London and New York, 2018, 549pp., \$368.00, hb.

Developing an alternative to mainstream economics is a big task. It is one thing to agree on a critique of the orthodoxy, but it is another to develop an alternative framework that is both analytically coherent and empirically useful in a complex and changing world. Thankfully, there are many currents of heterodox economic thought which can be drawn on for this purpose.

This book seeks to show what options exist by surveying various fields where useful work is being done in heterodox economics. It shows that there are strong, vibrant schools of thought with clear analytical methods and something useful to say on all the most important contemporary economic concerns. The book brings together contributions by 44 authors from 16 countries, each writing a substantial essay on an aspect of heterodox economic inquiry. Chapters typically begin by looking at why the topic matters and why mainstream approaches are inadequate, before going on to explain what heterodox economics can offer in its

place. The book has four main parts, following the editors' useful scene-setting introduction. The first cluster of articles survey the theoretical cores of heterodox economics, with topics ranging from the social surplus approach, accumulation regimes, monetary theories of production, effective demand, heterodox theories of prices, value and distribution and the micro-macro link in heterodox economics. Major sections follow on the anatomy of capitalism, the dynamics of capitalist socio-economic structure, and transforming the capitalist social provisioning process. Putting the focus on capitalism is a significant change from the mainstream economists' concerns with an idealised market economy.

The editors are to be congratulated for their selection. It has a good geographical spread of authors. It mixes contributions by established heterodox economics academics with less familiar contributors who have important things to say. This preference for relatively new contributors gives the collection a distinctive freshness. It has to be said though that, by its very nature, the subject matter is complex and often quite tough going. The editors and the chapter authors have not shied away from the difficult theoretical elements and challenges that face heterodox economists trying to develop coherent alternatives to the mainstream.

The best selection of themes and topics is always a personal judgement, of course, but having three co-editors in this case has evidently worked well. Scholarly contributions from within the post-Keynesian, institutional and Marxist traditions are considered in the majority of chapters, many of which look back to foundations in classical political economy too. Significant attention is also paid to other schools of thought challenging neoclassical orthodoxy: the regulation school, ecological economics, feminist economics, and the exponents of the 'social structures of accumulation' approach, for example. There is an very helpful table in the editors' introduction which shows how these different schools of thought, and others, are reflected in each of the articles. An excellent concluding essay for the volume, written by Jamie Morgan and John Embery, provides an overall summary and assessment of the undertaking.

A massive work of over 500 pages in relatively small print is unlikely to be popular bedtime reading. Its significance is, rather, as a substantial publishing landmark, perhaps comparable in this respect to the *Encyclopaedia of Political Economy* that Philip O'Hara edited for

Routledge eighteen years ago (and is still a very valuable resource today). Big 'handbooks' on different fields of scholarly inquiry and research have become quite numerous in recent times, mainly purchased by libraries and by academics already working in that particular field. Their considerable expense is a barrier to wider sales and influence, but it is notable that, in this case, the publisher has a special offer of a 20% discount for customers who buy the book online and enter the code FLR40 at the checkout.

Jerry Courvisanos, James Doughney and Alex Millmow (eds)

Reclaiming Pluralism in Economics

Routledge, London and New York, 2016, 332pp., \$188.00, hb.

The case for pluralism is a central feature of the challenge to mainstream economics. The dominance in the orthodoxy of the neoclassical way of seeing is the central concern, notwithstanding the mainstream economists' own claims to some degree of product differentiation. Seeing the monist character of the orthodoxy as the problem naturally leads to posing pluralism as the solution. The case is particularly strong in relation to teaching: students should be encouraged to develop comparative and critical perspectives by looking at economic issues through different lenses.

In practice this argument needs careful development. Pluralism is not synonymous with heterodoxy. Indeed, heterodox economists may be just as much wedded to a particular way of seeing, whether based on a perspective derived from Marx or Myrdal, from Kalecki or Sraffa. Pragmatically, however, heterodox economists tend to be strong advocates of pluralism because that is a way of creating space for their preferred approaches to get some attention.

The contributors to this fine volume explore the broader reasons for pushing pluralism, the history of pluralist and anti-pluralist practices in economics and the relevance of these issues in a neoliberal era. There are 19 essays in all, beginning with personal reflections by John King on 'pluralist economics in my lifetime' and ending with Jerry Courvisanos setting out 'the road to reclaiming pluralism in economics'.

It is particularly appropriate that the book is dedicated to John King, who has been a great exponent of heterodox economics, particularly in Marxist economics and post-Keynesian economics, and whose personal role as a teacher has been pluralist, spanning a range of approaches to different aspects of economics. The book had its origins in papers presented at a conference to mark his official retirement from La Trobe University. His own introduction to the volume includes personal reflection on his own education – including a PPE degree at Oxford – when a more pluralist (and sometimes eccentric) approach was possible. But the great transformation ‘from interwar pluralism to postwar neoclassicism’ was already well advanced, and has since become effectively hegemonic. At the end of his intro chapter he refers to current student movements ‘demanding the same broad, pluralist education that I was fortunate enough to have received in Oxford all those years ago’, adding that ‘they deserve to get it’.

The other contributors to the book reflect variously on the challenge to reclaim pluralism in economics, the role of studying the history of economic ideas in the path to pluralism; the association between mainstream economics and neoliberalism; and the sources of resistance to pluralism that need to be overcome. The historical perspective is probably the book’s most distinctive feature. Contributors reflect on the more pluralistic character of classical political economy before the emergence of the neoclassical school in the late 19th century; the element of pluralism driven by the ideas of Veblen, Keynes, Kalecki, Sraffa, Schumpeter and others in the first half of the twentieth century; and then the much more straightjacketed character of the mainstream during the last half century.

Probably the strongest conclusion to be drawn from the diverse contributions is the importance of seeing economic issues and economic ideas in historical perspective. From this viewpoint, the root problem is that serious engagement with the history of economic ideas has been expunged from the standard university economics curriculum. This impoverishes education, leaving students of economics with inadequate understanding of the role that ideology and vested interests have played in shaping economic thought. Strategically, how to go about challenging this situation is a theme picked up in the following book by an author following in the footsteps of John King, teaching at La Trobe University.

Tim B. Thornton

From Economics to Political Economy: the Promises, Problems and Solutions of Pluralist Economics

Routledge, London and New York, 2017, 227pp., \$231.00, hb.

Tim Thornton's book, arising from his PhD thesis, looks at university economics departments, reviews what they teach and considers what strategies could be effective in making the curriculum more conducive to heterodox economic and political economy (he prefers the latter descriptor). For anyone concerned with creating more space in education and research for political economy, this is a must-read.

Readers of this journal will not be surprised to know that, almost everywhere, the university economics curriculum is dominated by a core centred on mainstream micro/macro/mathecon and offering precious few opportunities for students to engage with more critical and challenging alternatives. The mainstream economists themselves sometimes claim to be embracing pluralism but it tends to be only an 'internal' heterodoxy that tacks electives dealing with behavioural economics, experimental economics or game theory onto a basically neoclassical core. Genuine pluralism is to be found in very few places. Thornton asks what can be done to challenge the situation and bring about more thoroughgoing reform that would ensure space and opportunity for the consideration of heterodox alternatives.

The book begins with a consideration of the sociology of knowledge, seeking to explain why the discipline is so conservative and self-referential. It continues with a look at mainstream economists' claims about how they are changing the discipline, showing that the basic character of most departments remains resolutely orthodox in practice. Among the subsequent chapters are assessments of the global student movement for pluralism, the contents of economics textbooks and the offerings of economics departments in Australian universities.

Perhaps the most novel and interesting contributions of the book come in the three chapters that explore what might be done to bring about lasting change. A trio of alternative strategies for reform is set out: (1) reform 'from within', (2) reform 'from without', and (3) 'hybrid strategies'.

Reform from within involves attempts to transform the standard economics curriculum into a more pluralist form. This is a strategy that is intrinsically worthy but frustratingly difficult, if not impossible, to fully realise in practice. Even when islands of heterodoxy are established they are typically insecure, courses almost invariably being wound up when heterodox staff are not reappointed.

By contrast, 'reform from without' is a bolder strategy that rests on the belief that political economy can only flourish outside of a mainstream economics department. It is a separatist approach that is illustrated by the experience of political economy activists at the University of Sydney - who actually began with a struggle for internal course reform but, when that was resisted by the mainstream economists, campaigned for a separate Department of Political Economy.

The third option, 'hybrid strategies', involves attempting to develop new political economy units of study from within other social science departments such as political science or sociology, or building PPE degree programs that bridge between mainstream economics, politics and philosophy. Thornton argues that this is probably the most generally viable option, but his overall conclusion is pragmatic, saying that what *should* be done depends crucially on the local conditions that determine what *can* be done.

These three strategic options are briefly considered by Thornton in the opening article in this current issue of *JAPE*. Readers interested in the fuller version of the arguments, and discussion of past experiences in various universities, are strongly recommended to read the corresponding three chapters in his book.

There are two other particularly interesting chapters at the end. One discusses the market for economic knowledge, including some survey evidence about what employers of economic graduates actually seek. The evidence is mixed, indicating that 'employers in general require the type of graduate skills, knowledge and attributes that a pluralist curriculum is best placed to supply', but that 'there is currently no significant call for significant change to economics by those employers' (p.204). Then comes the final chapter - a real beauty - that reflects on three purposes of economics : a scientific purpose, its role as social control, and its function as 'psychological balm'. This third aspect gives the 'reassurance' that we live, if not in the best of all possible worlds, in an economic system in which markets produce reliably equilibrating

tendencies and an optimal allocation of resources. It is a view of the very-far-from-scientific purposes that mainstream economics serves. Thornton's discussion in this final chapter partly echoes the earlier chapter on the institutional reproduction of orthodoxy but digs deeper to provide an engagingly reflective conclusion.

The book has its limitations: some of the survey evidence is based on quite small samples, while the textbooks considered are not reflective of the full range of heterodox and political economy alternatives available. The identification of units of study that have heterodox characteristics is also uncertain, as the author concedes, because fields like development economics can be approached either from an orthodox or pluralist perspective depending on the teacher's inclinations. A careful reader will have occasion to pause and reflect on such matters. As a whole, however, this is a particularly important book because of its blend of critique and practical consideration of what can be done to bring about more progressive change. It deserves to be read by all political economists concerned with making a difference.

Book reviews written by Frank Stilwell

