

Book Review - The Shortest History of Economics

Author: Andrew Leigh

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Mathematics and History are the two pathways of doing economics. The former is fashionable and dominant, and the latter, looked down upon and “openly disparaged as type of antiquarianism.” So, should we read history of economics in general, and Leigh (2024) in particular?

Mark Blaug (1927-2011), to whom this book review is dedicated, had blossomed as a ‘rebel with many causes’ despite his baptism into economics rooted in mainstream/neoclassical economics. He had exhibited independence of thought, and intellectual honesty par excellence, and surely did not belong to the gang of economists notorious ‘as at best as cost-cutters and at worst as fascist swine’. Famous, inter alia, for his *Economic Theory in Retrospect* like the great Schumpeter’s *History of Economic Analysis*, he had, in a paper (Blaug, 2001), deliberated on the reality of the virtual disappearance of history of economic thought from university curricula on the one hand and on the other, the reality of more and more scholars attending scholarly meetings in history of economic thought and publishing articles about the history of economic thought. A few of his perceptions drawing us to history of economic thought are as follows: “No idea or theory in economics, physics, chemistry, biology, philosophy and

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even mathematics is ever thoroughly understood except as the end-product of a slice of history, the result of some previous intellectual development... Economic knowledge is path-dependent. What we now know about the economic system is not something we have just discovered, but it is the sum of all discoveries, insights and false starts in the past...If you are mathematically inclined, you will find physics, engineering and modern economics congenial to study. If you are philosophically inclined and intellectual rather than a technocrat but are attracted to economics because of its policy relevance or the belief that society rests essentially on economic foundations, you may well find yourself drifting towards history of economic thought as one of your specializations in economics. Because papers in history of economic thought rarely contain much mathematics or econometrics, some students may persuade themselves that it is a soft option. Actually, history of economic thought is in many ways more difficult, more subtle, and less capable of being cloned on a master mould than standard mainstream economics. Be that as it may, it is a striking fact that conferences in history of economic thought attract Austrians, Marxists, Radical political economists, Sraffians, institutionalists and post-Keynesians in disproportionate numbers, all non-neoclassicals or even anti-neoclassicals who have no place else to go to talk to scholars outside their own narrow intellectual circles. In other words, history of economic thought is a haven for heterodoxy, a heterodoxy which no doubt has many sources but at its foundation takes its departure, I suspect, from a certain type of mind, a certain congenial style of thinking.”

In light of this, you can easily find more than a hundred books on the history of economics/economic thought and/or political economy. Leigh (2024) is the latest one. If this is the shortest, then Schumpeter’s must be the longest.

To begin with, Leigh hopes that “you grow up in a society in which good economic policy internalises the externalities, the market gives you choices aplenty, and economics provides dazzling insights on our remarkable world.” That is a tall order easing out for you. And he advises you that “When making a tricky decision, weigh the costs and benefits. Consider the opportunity costs—what are you giving up? Think of the margin—asking whether one more of something is worth having. And don’t forget externalities—the positive and negative impacts of your decisions on other people. From education to entrepreneurship, from socialising to the share market, economics can help you live a better life.” Leigh’s wish and counselling, thus, constitute a nice, optimistic and

customised gospel to an introductory economics student who might be perplexed about the blackboard micro and macroeconomics he is taught over two semesters. And little wonder that this evangelism is buttressed by the 2023 economics Nobel laureate Claudia Goldin of Harvard University: “If you read just one book about economics, make it this one.” The message is surely that you can and should feel upbeat about doing mainstream economics, a message contrary to Blaug’s take above on history of economics as predominantly a heterodox quest.

The central point of Leigh is that capitalism can be trusted; and that mainstream economics can mend the downside of capitalism. This is very much unlike the radical critique of capitalism and its economics as sheer ideology by Dowd (2004), which the mainstream economists and politicians do not tell students to read. However, open-minded students should read both Leigh and Dowd with equal interest in order to critically understand how diverse future possibilities of ‘good society’ and ‘good life’ are dependent on the present and its past.

Leigh is on a song about capitalism and prosperity due to it--people maximising their wellbeing (living standards) in the face of scarcity--as grasped by the functioning of markets according to the principles of economics in terms of incentives; specialisation and trade; and big events driven by new technologies and changing policies. And yet, the market system is far from perfect. Unemployment, cartels, traffic congestion, overfishing and pollution are just a few of the problems that emerge when markets fail. So, much of economics is now focussed on questions of market failure by way of competition policy, climate policy, employment policy, taxation policy etc. even as by behavioural economics which is now becoming a standard part of the curriculum, it is acknowledging that humans do not always behave like cool, calculating happiness-maximising machines. The rise of artificial intelligence and rise in inequality (including gender inequality) are major causes for economic concern now. Another key frustration is that, nearly a century after the Great Depression, economists have failed to tame the boom-and-bust cycle. Capitalism, thus, although great, does not guarantee the wellbeing of those who lack capital! But there is no need to be cynical. Economics is evolving to give practical advice for all aspects of life through forensic economics (uncovering evidence of hidden behaviour in a variety of domains), analysis of large datasets and its discussions of the role of government as a risk manager and promoter of socially useful innovation.

Moreover, there are interesting things in store for us: “Market designers have pioneered the matching algorithms that underpin many kidney donations. Auction experts have devised auctions that raise billions of dollars for government from the sale of electromagnetic spectrum rights. Development economists have run randomised trials that save lives and raises incomes.”

Leigh, thus, comes to the conclusion that economics does offer the biggest contribution in helping us to live a better life within the orbit of tinkered and mended capitalism. This is diametrically opposite to the conclusion of Dowd (2004) and the like radical economists (e.g. Smith, 2016) that capitalism is the definitive “road to hell”, so to say (a la Chris Rea’s blues-rock song), not only for the working class but also for all humanity.

In between Leigh’s optimism and Dowd’s pessimism about capitalism and its economics, note that Komlos (2023) discusses how studying economics and economic policy need not be a waste of time. And this is what one must study, both theoretically and empirically, to figure out the possibility of “capitalism with a human face”. And in coming to terms with economics as the study of market failures, Leigh’s modified orthodoxy is surely shallow in relation to Komlos’ tempered heterodoxy. This is worth exploring on empirical footing.

This is not all. Belonging to the Australian Labour Party, Leigh has acknowledged how in the post-war era, trade unions campaigned for higher wages, safer working conditions and anti-discrimination laws and how redistribution from the lucky to the unlucky occurred through both the welfare system and the tax system. However, he has avoided what needs to be done to much of humanity as working people in the face of neoliberalism’s onslaught on them in the past four decades. This reflects how Labour Parties worldwide have sold themselves out to pro-capital policies without genuine concern for labouring people’s tribulations. There is no economic policy making that works for all or the majority under capitalism. Leigh has not honestly dealt with this problematic.

All in all, Leigh’s short book about historical emergence of markets and prevalence of markets everywhere now can no doubt be read in a day. Its many black and white pictures and figures in 13 chapters, its recognition of the work of Elinor Ostrom, Sadie Alexander and Claudia Goldin and the need for good governance to avoid famines and overcome

pandemics, and the call for better collection of economic statistics, can all be appreciated. But the book cannot be remembered for a lifetime unlike the historically rooted cogent case for social liberal economics as the most sensible economics made by Hodgson (2021) or Standing (2016).

To conclude, Leigh's book can be taken at best as a light historically sojourned introduction to *Core Econ* as the new mainstream economics, which is "certainly more engaging than standard courses and puts economic history back into economics teaching. However, it determinedly and transparently sticks to teaching economics as if there was only one approach to analysing economic phenomena. It does not support critical reflection based on an understanding that there is more than one way of thinking about the economy and they don't give the same answers to policy questions."

Economics students can broaden their horizons on the basis of small books with big stories like this.

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