

# PREFACE

This book is not simply an annotated roster of the Society of Dead Economists. As living economists grapple with modern economic problems and begin to alter their views, more and more readers are discovering a need for transitional books, books that bridge the gap between what economics has been and what it is becoming. *A Brief History of Economics: Artful Approaches to the Dismal Science* reflects this desire for a bridge over sometimes troubled waters.

Because the old masters of economics imagined with a broad social brush and used lively real-world examples, they are easier to understand than many modern writers, so I believe that this book is fully accessible to beginning readers in economics. At the other extreme, readers who approach this volume with a sophisticated understanding of economic theory but little, if any, exposure to the history of thought can now become acquainted with some of the most fascinating personalities of the ages. An inquiring mind is the only prerequisite.

Many concerns impinged on the decision to do *A Brief History of Economics*. First, I continue to perceive the need for a short introduction to economics that would be completely accessible to beginners but interesting to a lay audience. For the former, only

aerobically fit students can cart in the fullness of space the standard, beginning text to class. In the end, the beginner has mastered little more than a few unrelated basics (though perhaps enjoying somewhat better muscle tone). For the latter, I believe that a need exists for a completely up-to-date treatment of contemporary issues such as globalization, financial market bubbles, and economic inequalities missing from today's textbooks.

Second, the beginner's interest in economics has been waning roughly in proportion to the growth in the number and magnitude of society's economic problems. Beginners, I have found, can be seduced by a subject wrapped in the soft cloak of biographies of figures (Adam Smith, David Ricardo, Thomas Malthus, Jeremy Bentham, Karl Marx, Alfred Marshall, John Maynard Keynes, Joseph Schumpeter, Thorstein Veblen, Milton Friedman, John Kenneth Galbraith, and Robert Heilbroner) and the warm familiarity of history—of the Jazz Age, of the Great Depression, of Reaganomics, and so on.

Third, I would like to extend the good luck of past generations to those of the present. The great economists—yesterday's and today's—not only convey ideas lucidly, they do so with great force, élan, and more often than not, wonderful humor. The current generation of readers should not miss the masters.

As a beginning, I return to the founder, Adam Smith. A popular but misguided understanding of what Adam Smith wrote and meant has been diminished to the wearing of the Adam Smith necktie (filled with little cameos of Smith's profile) out of devotion only to free markets and to remarkably limited government. This tie that binds is a symbol devoid of true Smithian meaning, serving mostly to constrict blood vessels and guaranteeing insufficient circulation of blood to the brain. The purchase of an Adam Smith necktie is at once a rational commercial act and a revelation of dogma overwhelming reason. Adam Smith, a lecturer on Moral Philosophy at Glasgow, would have rejected both out of four-in-hand.

I would urge, even implore, not just the beginner, but the seasoned reader, to read Smith's *The Wealth of Nations*. It is brimming with

ideas, such as those to spill over from his colorful description of the pin factory to his famous passage: "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest." The latter is not only a great insight, but also great rhetoric, initially cast out of an alliteration of b's, continuing with the homely appeal to getting our dinner (rather than "optimizing consumer behavior"), and concluding with a mutually self-regarding sting.

To focus on pin factories and Adam Smith is to concern oneself with getting production started, igniting economic growth. It is the kind of concern faced today by Eastern Europe, the states of the former Soviet Union, and the developing nations. The mature industrialized nations generally are called "capitalistic," even though their ways of organizing production and distribution are contrary to the conventional caricature. The central problem of these nations, including even Japan, appears to be *too much* production and an *excess* of labor. The people in these nations, it would appear, are consuming as much as they desire, and yet their consumption is insufficient to fully employ themselves. This vulnerability of capitalism was noted many years ago by the great British economist, businessman and statesman—John Maynard Keynes.

He wrote:

Ancient Egypt was doubly fortunate and doubtless owed to this its fabled wealth, in that it possessed *two* activities, namely pyramid-building and the search for the precious metals, the fruits of which, since they could not serve the needs of man by being consumed, did not stale with abundance. The Middle Ages built cathedrals and sang dirges. Two pyramids, two masses for the dead are twice as good as one; but not so two railways from London to York.

In this brief paragraph, drawing upon his knowledge of history, Keynes is able to summarize in the last *half* sentence what has been lost to the modern economic world, and what had become a central defect of raw, uncivilized capitalism during the 1930s. Today, instead of railways, he might have written about the superfluity of 900-lane

parallel information superhighways carrying banal entertainment to netherlands.

Even with an information superhighway, it would be impossible to thank adequately all of those reviewers, readers, and friends who have contributed to this book. Over the years, John Kenneth Galbraith has faithfully read my manuscripts and, on this as well as many others, has been a source of inspiration and encouragement. His influence in these pages will be obvious. My dearly missed friend, the late Sidney Weintraub, provided thoughtful and meticulous comments on an early draft. Over time, another departed friend, Hyman Minsky, devoted considerable thought to and many suggestions for my discussions of finance and investment.

Inspirational friends and associates such as John Q. Adams and H. Peter Gray have served as wise and witty critics. Still another friend, the late Mancur Olson, provided valued reactions to my reading of his *Rise and Decline of Nations*. Not only did a book by Gerhard Mensch provide inspiration, but Gerhard provided insightful comments on manuscript material related to innovations and their effect on the economies of highly industrialized economies. For a few precious years at Florida State University, I had the pleasure of engaging in some remarkable dialogue with my friend Abba P. Lerner, one of the leading economists of the twentieth century. In a lucky and remarkable coincidence, Joan Robinson, another luminary, was reading some of my manuscripts at the time, parts of which now comprise my discussions on Keynesian economics. Abba proceeded to strike though many of Joan's comments with his abrupt, "She's wrong!," leaving me the awkward task of deciding, in those instances, what Keynes "really meant."

Such is the delicate responsibility of the historian—of anything. Just when we think we have made the final judgment, someone with great intelligence and authority creates doubt and raises questions. Being not quite sure about the past, we surely make forecasts with great temerity.

To reach its audience, a book must be published. For this, I am grateful to the uncommon support of David Sharp at World Scientific,

not only for this volume but also for my *Wall Street Capitalism*. I also am grateful for the careful and helpful reviews by Richard Ballman, Augustana College; Frances Bedell, Westark Community College; Joseph Cairo, La Salle University; Michael Carroll, Colorado State University; and Richard N. Langlois, University of Connecticut. Joy Quek at World Scientific worked magic with her meticulous editing.

Finally, Carolyn, my partner in life, provided more good cheer than any author deserves and despite the magnitude of my exaggerated perception of what is merited.

*E. Ray Canterbury*