

BOOK REVIEW
*A HISTORY OF ECONOMIC THEORY
AND ITS METHOD*
(McGraw-Hill, 731 pages)

CRISTÓBAL MATARÁN

This textbook on economic thought, written by Auburn University professors Robert B. Ekelund Jr. and Robert F. Hébert, was used in the 1990s by Professor Pedro Schwartz in his economic thought classes at the Complutense University. It is a comprehensive and systematic textbook, offering a highly impartial treatment of authors and works. In general terms, it offers a modern perspective favourable to the market economy, although its critique of socialist economics, particularly of Marx, is more striking. It does not reach the levels of criticism found, for example, in Rothbard's textbook, but, of course, its conception of a planned economy is by no means indifferent. As for the content, the work begins with *Part One: Introduction and Origins*, in which the first chapter on the method of economic science in general, and of economic thought in particular, is particularly noteworthy. Furthermore, all chapters provide a *list of References* at the end, rather than the dull and tedious bibliography typically found in academic works.

Although this is a textbook published over three decades ago (1990) and, consequently, the bibliography has become somewhat out-

From the outset, the authors' erudition is abundantly clear.

This first part is then rounded off with a chapter on *Ancient and Medieval Economic Thought*, another on *Mercantilism and the Birth of Capitalism*, and finally, *The Emergence of a Science: Petty, Cantillon and the Physiocrats*. To cram the entire body of economic thought from Antiquity—from Greece to Rome inclusive—as well as Scholasticism, into a single chapter leaves too many points unexamined in depth. Without going any further, the issue of usury, so relevant following the Discovery of America,

It takes up barely three pages. In fact, the scholastics of the Spanish Golden Age, the School of Salamanca, do not even feature. This is a sin – never a truer word spoken – of most textbooks on economic thought. Furthermore, the brilliant 1962 work by Roland Meek, an openly Marxist historian of economic thought, **The Economics of Physiocracy**, is also not cited in the References.

In *Part Two: The Classical Period*, we find what we might expect:

from Adam Smith to the emergence of reactionary doctrines against the Classical School. This part, comprising five chapters, is arguably the finest section of the entire work. His explanation of the classical foundations across three chapters, organised by theme rather than by author, is very reminiscent of D.P. O'Brien's (1989) work, *The Classical Economists*. The reader can easily grasp the classical foundations, such as the natural price, the division of labour, or the famous Ricardian *triad*, amongst others. *Part Three:*

Reactions and Alternatives to Classical Theory in the 19th Century distinguishes, on the one hand, between pre-Marxist socialists (those whom Marx himself termed 'utopians') and the emergence of 'scientific socialism' based on the works of Marx and Engels themselves. One of the issues missing from the textbook is that, despite providing a sufficient explanation of Marx's Marxism, no Marxist authors from after the Second World War are mentioned again, or, if they are, only very briefly. It would appear that the Marxist School has had little influence since the late 19th century, which, in view of the planning experiments of Throughout the 20th century, this remained an unresolved issue.

Part Four: Microeconomics in Continental Europe and England clearly distinguishes the three strands of the Marginalist Revolution: Vienna, Cambridge and Lausanne. In this way, the authors make it very clear that, despite this being a historical moment in which three ideas appear to have emerged simultaneously and independently, each subsequently formed its own school of economic thought, with its own distinctive features, not to say in open confrontation. Here, in Chapter XIII, *'Microeconomics in Vienna: Menger, Wieser and Böhm-Bawerk'*, we find the emergence of the Austrian School. Menger and Böhm-Bawerk's treatment of interest, which is of enormous intellectual depth

between them, is barely given sufficient space. In practice, it is assumed that the theory of capital emerges with Böhm-Bawerk almost *from scratch*. This section concludes with the emergence of Marshallian partial equilibrium and Walrasian general equilibrium, at which point the textbook, like all such works by this stage, begins to fill with graphs and tables that make for a more cumbersome read.

Part Five: The Paradigms of the Twentieth Century, the final part of the work, begins with the institutionalist economics of Veblen and his followers. The work of J.M. Keynes, so fundamental to the interwar period, is the subject of an entire chapter. Nevertheless, as with the Marxists, the work does not cover the subsequent developments of other Keynesian authors. Perhaps this is due, as we have said, to the time gap since the book's publication. On the other hand, this section again devotes a welcome chapter to the Austrian School. Here, as might be expected, we find the work of Mises and Hayek. But one point stands out strikingly: the inclusion of Schumpeter as an author of the Austrian School. In their theory of the entrepreneur, the authors label Schumpeter's entrepreneurial concept as 'dynamic competition'. By contrast, Austrian authors have always rejected the Schumpeterian entrepreneur, precisely because of his conception as a destabilising agent in the economic process, rather than as the coordinator of juxtaposed behaviours. The work concludes with a discussion of empirical economics since the Second World War, as well as the emergence of econometrics. Here, the authors are genuinely critical and appear to seek an economics more grounded in a system detached from empirical testing. Indeed, they repeatedly warn the reader about the problems of testing in economic science, in a manner that is quite reminiscent of Austrian criticism. Finally, they include a chapter on the then-emerging Public Choice School and the contributions of the Chicago School, particularly George Stigler, to public policy.

All in all, this is a highly recommended book. It is a comprehensive guide, although it is not entirely suitable as a complete course in economic theory for first-year students

in an economics degree. This is mainly due to the lack of exercises or text commentary. Furthermore, its level is fairly intermediate, requiring some prior knowledge, not only of economic thought but of economics in general.