

published by a University Press, and then get to masquerade as *textbooks* which will presumably get adopted as set texts for students to read, digest and repeat in essays and examinations.

Mendes is right—there is an ideological war to be fought, but the key objective in that war should be to reclaim higher education from the ideologues who long ago colonised it.

Reviewed by Peter Saunders

The Ordinary Business of Life: A History of Economics from the Ancient World to the Twenty-First Century

Roger Backhouse

Princeton University Press: Princeton, NJ, 2002, 368pp, US\$35.00
ISBN 0691096260

ROGER Backhouse has written a history of economics that is sweeping in its historical scope, while also being extremely concise. These two objectives are in obvious conflict, but Backhouse strikes an acceptable balance that makes this book a commendable introduction to the historical context of modern economics.

Perhaps the main value of the book is to dispel the widely held notion that economics is some late-20th century theoretical scourge divorced from practical relevance. Backhouse shows how economics has for the most part emerged as a direct response to the demand for practical solutions to contemporary problems of private and public choice. This is perhaps most obvious in the case of the early development of supply and demand analysis and welfare economics on the part of the

engineers of 18th and 19th century France, which sought to address questions such as the public benefits associated with building a particular bridge or road.

Backhouse also documents the close relationship between economics and movements for reform and social change. The early 18th century critique of mercantilism became part of a comprehensive critique of the absolutist state, and it was by no means coincidental that the doctrine of laissez-faire emerged in France on the eve of the French Revolution (p.109). Likewise, the British Philosophic Radicals 'were actively engaged in politics, using utilitarianism as the basis for criticizing the institutions of society and advocating policies of reform' (p.137). Of the classical political economy period, Backhouse concludes:

it is a fairly safe generalization to say that they were in general pragmatic reformers. Like Smith, they opposed mercantilism. In so far as there was an ideological dimension to this, it stemmed from opposition to the corruption associated with mercantilism rather than any commitment to non-intervention (p. 148).

Economics came to enjoy a close relationship with government for much of the 20th century, although often with unhappy consequences. Towards the end of the century, economics once again was at the forefront of reform as economists came to be increasingly troubled by the consequences of some of their former policy prescriptions. Much of this new economic thinking has

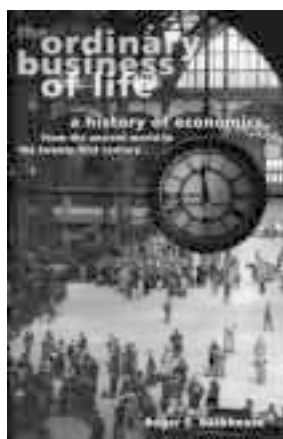
again been assimilated by governments around the world, but by no means in all its implications.

Of all the economists examined by Backhouse, Marx emerges as the most reductionist and deterministic in his claim that economic forces completely dominate society and the course of history. The examination of Marx's

economic thought belies his reputation as principally either a philosopher or sociologist. If anyone deserves the label 'economic rationalist,' it is surely Marx. Backhouse highlights an important unintended consequence of Marxist thought. The diaspora of European intellectuals fleeing first the

Russian Revolution and then Nazism was to make an enormous contribution to the development of economic thought in the Anglo-American world, as in so many other disciplines. While it is common to hear complaints about the 'Americanisation' of economics, Backhouse makes clear that 'the ideas on which the current consensus is based have significant European roots' (p.307). But it was only in the Anglo-American world that these ideas could flourish.

The uneasy relationship between economists and other intellectuals is well documented. Jonathan Swift's satirical *A Modest Proposal* was inspired by William Petty's pioneering work in national accounting (p.71). The discipline has even come to satirise itself, such as Alan Blinder's parody of Gary Becker's work in 'The Economics of Brushing Teeth' (p.311). It was Thomas Carlyle who coined the



phrase 'the Dismal Science' during the high point of classical political economy in the nineteenth century, when 'the term "economist" came to denote someone with an identifiable approach to politics and a congenitally hard heart' (p.135).

Brevity is both a strength and weakness of this book. Entire schools of economic thought are dispatched in little more than two pages. This is not the place to go for a detailed treatment of any one school of thought. But it does serve to place these ideas within their historical context and bring out some of the relationships between contending approaches.

Brevity also leaves Backhouse with little room for his own interpretative interventions. Some of those that do find their way into the book are wide of the mark. For example, in discussing the transitional economies of post-communist Eastern Europe, he claims that economists failed to appreciate 'the importance to any capitalist system of a secure framework of law, morality and property rights'. This would come as a big surprise to many of the reformers involved. But it is even more surprising to hear him claim that the socialist-calculation debate 'missed this point entirely' (p.287). One could hardly claim that Mises or Hayek missed the significance of these issues.

Backhouse also has some mistaken views about the significance of private funding to the post-war development of economics in the classical liberal tradition. He speculates that 'the fact that the two most influential public-choice theorists, Buchanan and Tullock, were to the right of the political spectrum may have helped them obtain funding more easily than might otherwise have been the case'

(p.312). Similarly, he suggests that the Austrian school 'had considerable success in raising private funds' (p.316). I think Backhouse seeks to diminish economics in the classical liberal tradition by implying that its success owes more to private funding than the strength and relevance of the ideas themselves. Whatever sources of private funding these schools of thought have secured is tiny in comparison to the enormous sums of private and public money lavished on bastions of Keynesian economics such as Harvard, MIT and Yale. If alternative schools of economic thought have appeared overly reliant on private funds, this reflects their lack of access to more traditional sources of institutional funding. If anything, the funding available to economists working in the classical liberal tradition would have held them back compared to their colleagues working in other traditions. This is what makes the post-war revival of economics in the classical liberal tradition all the more remarkable. It is perhaps just as well then that the broad historical sweep of his book leaves Backhouse with little room to entertain some of his more questionable speculations.

Reviewed by Stephen Kirchner

***Recreating Asia:
Visions for a New Century***

Frank-Jürgen Richter and
Pamela C.M. Mar

Singapore, John Wiley (Asia)

2002, 310 pp, \$29.95

ISBN 0 470 82085 3

RECREATING Asia is a product of the World Economic Forum (WEF), the Geneva-based organisation with the somewhat immodest mission statement 'to improve the state of the world'. It is well known for organising talkfests of political and big business leaders in Davos and elsewhere, for publishing the respected annual *Global Competitiveness Reports* that compare business conditions in some 60 jurisdictions, and for even surpassing McDonalds in attracting noisy anti-globalisers. It is not quite clear by what criteria the 'improvement' of the world is to be measured, but the WEF's own viewpoint seems predominantly soft-collectivist/continental-European, mildly Green and centred on the interests of big corporations and governments.

Talkfests of the high and mighty, whom the WEF assembles periodically, of course come under Adam Smith's famous suspicion that 'people of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public'. A partial protection against such dangers of high-level networking is to publish the statements of the leading speakers.

The book under review does just that. It contains a collection of brief statements by 35 political and business leaders to the WEF's Tenth East Asia Summit held in 2001. The various speakers share fresh memories of the sobering events of 1997 throughout much of East Asia and focus often on how various countries