

*The Soulful Science: What Economists Really Do and Why It Matters*

by Diane Coyle

Princeton University Press,

Princeton, 2007

\$43.95, 279pp

ISBN 9780691125138

Alfred Marshall, a founder of neoclassical economics, famously said, ‘The more I study economics the smaller appears the knowledge I have of it ... and now at the end of half a century, I am conscious of more ignorance of it than I was at the beginning.’

This statement has held true for anyone following the elusive discipline of economics. Nearing the end of his life, Nobel-Prize-winning economist George Stigler began to recognise that it had embarked on a kind of intellectual colonisation. ‘The Imperial Science,’ as Stigler called economics in his autobiography, was an accurate term with which to signal the advance of economic tools and theories into other disciplines relating to the social sciences: law, political science, and sociology.

As the sub-fields of economics begin to proliferate even further—into evolutionary economics, behavioural economics, and neuroeconomics—it is worth asking whether Marshall’s humble conclusion—that the more we study economics, the less we realise we know—is also an aggressive driving force behind the expansion of the economic discipline. As economics is concerned with human behaviour, it should naturally follow that academic economists will look into all corners of human knowledge if they believe it will help them improve their understanding of economic phenomena.

And, as the economics section of every bookshop steadily grows in size, we have Diane Coyle’s book to summarise the developments made in the discipline: new theories created or rejected, models that have been improved upon or invalidated, and most importantly the growing specialisation that has taken place in the discipline in the last forty years.

The book itself could at first glance be considered a summary of economics only. Indeed, as an introduction to the latest developments in economic thinking, Coyle’s book is unmatched, though most of its space has been devoted to the more popular fields, such as recent research into ‘happiness’ and its policy implications, behavioural economics, and the criticism of *homo economicus* as the pinup model of human behaviour.

Yet, the attention given to these new fields has a purpose that goes beyond mere summary. The book’s title, *The Soulful Science*, gives a clue to the motivation behind Coyle’s work, which is to defend mainstream, conventional economic thinking and its contribution to improving our standard of living and our understanding of why and how we live. Coyle’s argument is directed primarily at those who argue that economics has lost touch with reality, and that human behaviour cannot be understood through simultaneous equations or any form of modelling that ignores our inherent moral faculties.

The book’s final chapter, ‘Why Economics Has Soul,’ gives the reasoning behind Coyle’s decision to write an intellectual history of the discipline. ‘I believe,’ she writes,

that many of the critics outside the subject are simply unaware of the content of economic research during the past twenty years. In fact, actually existing economics, as it’s practiced in universities and government today, is experiencing, virtually unnoticed by the wider world, a golden age of discovery.

There is also an ideological undertone to the book. Coyle is sympathetic to market forces and is always sceptical of government interference in economic activities. The underlying message of this intellectual history seems to be that contemporary economics, for all its complications and qualifications, is still compatible with a free enterprise society.

One of the main developments in economics over the past few decades has been the dismantling of the ‘rational man’ assumption underpinning neoclassical economics. Rational man had perfect knowledge of the world around him, his preferences were fixed, and he was not unique among men. Coyle extensively reviews the literature that deals with this concept, and argues that the discoveries about ‘irrationality’ and ‘imperfect information’ do not necessarily change the way we approach economics.

As an example, behavioural economics has proven we are not as rational as conventional thinking supposed. For instance, we are loss averse, meaning that losing things, or the prospect of losing things, affects us emotionally to a greater extent the prospect of gaining new things. We have a concept of fairness that is not identified in conventional economic models. The development of neuroeconomics,



which takes on insights from neuroscience into individual decision-making, provides a scientific check on the improvements made by behavioural economics.

Despite this, the old but trust-worthy models of mainstream economics, rational man and all, still work 'extremely well,' according to Coyle, who concludes that the contributions of behavioural economics are 'just a bit of seasoning from the psychologists,' when used to predict the future. Indeed, Coyle shows her true devotion to the concept of economics as a positive science through her stress on predictive power as a key element to good economics.

The chapters on evolutionary economics and information economics are the strongest parts of the book. The latter highlights Coyle's admiration of Hayek's essay on the use of knowledge in society, an essay that continues to grow in prominence amongst economists, and of Schumpeter's discussions on the role of the entrepreneur in a capitalist society. The idea of incorporating the dynamism of economic behaviour into mainstream models is another growing field that is perhaps more sympathetic to free-market ideals. Diverging from the Austrian approach, though, Coyle sees mathematics and science as having an integral role in improving economic thinking, which emphasises the importance of empirical testing.

As a crash course in the latest developments of academic economics, Coyle's book must be highly recommended. As a defence of the conventional, neoclassical approach to economic thinking, it must also be considered a thoughtful contribution to a debate that will continue with great passion for years to come.

**Reviewed by Andrew Kemp**

*Giblin's Platoon: The Trials and Triumph of the Economist in Australian Public Life*

by **William Coleman, Selwyn Cornish, and Alf Hagger**

ANU E Press, Canberra, 2006  
\$24.95, 263pp  
ISBN 1920942491  
[http://epress.anu.edu.au/gp/pdf/gp\\_whole.pdf](http://epress.anu.edu.au/gp/pdf/gp_whole.pdf)

The importance of economics and economic ideas is these days often underestimated by professional historians deficient in any sort of economic training. In the case of Australian history, this is a major deficiency, as much of what has occurred in Australia, normally classified by historians as a 'settler society,' has been about economic development.

*Giblin's Platoon* helps to explain one important part of Australia's economic story: how economics became a professional academic discipline in the country, and how it came to be the central discipline for the creation of public policy by the Commonwealth government. From the perspective of the early twenty-first century, the important role played by economists seems to be part of the natural order of things, but it was a major development of the twentieth century, and one not foreseen at federation in 1901.

In nineteenth-century Australia, there were no academic economists advising government. Writings on economics were produced by politicians such as B. R. Wise, newspapermen like David Syme and Andrew Garran, and even by amateurs including Walter Scott, the professor of Greek at the University of Sydney. Writing in 1930, W. K. Hancock claimed

that Australians did not like professional economists because they put forward ideas that limited what it was appropriate to do through 'politics.'

Certainly, as the three authors of this book, William Coleman, Selwyn Cornish, and Alf Hagger, demonstrate through some nice quotations, Labor politicians of the 1920s and 1930s did not like economists. They feared that economists might oppose unrestrained protectionism, something that, for them, expressed the democratic will of the Australian people. Equally, between the two world wars the Commonwealth had a public service that actively discouraged the recruitment of university graduates, giving preference to ex-servicemen. It was hardly an environment likely to encourage the best and the brightest to use their intellectual capabilities for the public good. It was the heyday of educated Australians seeking their fortunes in more congenial climes.

*Giblin's Platoon* opens with an Australia in the early twentieth century where economics had not made much headway in either academia or public life. The book's central organising principle is the fact that a number of economists who would later be extremely influential in Australian public life, L. F. Giblin, J. B. Brigden, D. B. Copland, and Roland Wilson were all present at the University of Tasmania from 1919 to 1924. They continued their association at various stages over the next few decades, although it does not appear that they could be called a school.

What really strikes one about the situation in the 1920s is how scarce economists were in Australia. The opportunities for