

THE PUZZLE OF MODERN ECONOMICS

Is economics the key to everything or does the recent financial crisis show that it has failed? This book provides an assessment of modern economics that cuts through the confusion and controversy over this question. Case studies of the creation of new markets, the Russian transition to capitalism, globalization, and money and finance establish that economics has been very successful where problems have been well defined and where the world can be changed to fit the theory, but that it has been less successful in tackling bigger problems. The book then offers a historical perspective on how, since the Second World War, economists have tried to make their subject scientific. It explores the evolving relationship between science and ideology and investigates the place of heterodoxy and dissent within the discipline. It is argued that, though there are problems with the discipline, economics is needed to combat the myths that abound concerning economic problems.

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Professor Backhouse is the co-editor of *The History of the Social Sciences Since 1945*, with Philippe Fontaine (Cambridge University Press, 2010); *No Wealth But Life: Welfare Economics and the Welfare State in Britain 1880–1945*, with Tamotsu Nishizawa (Cambridge University Press, 2010), and *The Unsocial Social Science? Economics and Neighboring Disciplines Since 1945* (forthcoming). He also co-edited, with Bradley W. Bateman, *The Cambridge Companion to Keynes* (Cambridge University Press, 2006). Professor Backhouse is also author of *The Ordinary Business of Life* and *The Penguin History of Economics*. He has written for a number of journals, including *Economica*, *Journal of Economic Perspectives*, *History of Political Economy*, *Journal of the History of Economic Thought*, and *Journal of Economic Methodology*. He has been review editor of the *Economic Journal*, editor of the *Journal of Economic Methodology*, and associate editor of the *Journal of the History of Economic Thought*.

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Science or Ideology?

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Erasmus University Rotterdam



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Contents

<i>Acknowledgements</i>	<i>page vii</i>
1. Introduction	1
PART I ECONOMICS IN ACTION	15
2. Creating New Markets	21
3. Creating a Market Economy	37
4. Globalization and Welfare	51
5. Money and Finance	74
PART II HISTORICAL PERSPECTIVES	97
6. Creating a ‘Scientific’ Economics	99
7. The Quest for Rigorous Macroeconomics	117
8. Science and Ideology	137
9. Heterodoxy and Dissent	152
PART III EVALUATION	165
10. Economic Science and Economic Myth	167
Note on the Literature	187
<i>Bibliography</i>	191
<i>Index</i>	199

Acknowledgements

Writing this book has taken a long time. The original idea was for a book that used an account of the recent history of economics (since the Second World War) to shed light on the current state of the discipline. My hope was that I could prepare a book fairly quickly by drawing on work that I have been doing on this subject over the past decade. However, though a draft was assembled very quickly, it was unsatisfactory, and work stalled partly because of other projects but mainly because I could not get the various pieces to fit together as I had hoped. Many drafts later, this is the result, with many of the original chapters cut away and replaced with new ones, leaving a book that is as much methodological as historical.

Though my hope is that the book will contribute to debates within the economics profession, and though I can see many ideas in the economic methodology literature lying behind remarks I make, I decided that the main ideas could and therefore should (an unconventional view) be presented in such a way as to be accessible to non-economists or, should that prove overoptimistic, to those who studied ‘Economics 101’ in the distant past. I therefore ask my economist colleagues to be patient when I explain material that they will find very elementary. At the same time, non-economists will encounter abstract material, and I ask such readers to try to see the picture that lies behind any difficult theoretical ideas.

I have accumulated many debts in the course of the work that led to this book. Amongst those whose work framed my way of thinking about these problems, I would pick out the late Bob Coats, without whose encouragement and persuasion, I might never have started to think

about the questions in which this project originated. Mark Blaug and Kevin Hoover have been important in influencing the ideas on empirical work expressed here, and papers written for volumes edited by Uskali Mäki and Marcel Boumans were more important than citations alone might suggest.

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R. E. B.

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