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### From Political Economy to Economics

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In sum, beyond adding to our appreciation of the technical architecture of the banking system, the translation of these papers will add to our understanding of the development of economic thought in respect of banking and the banking system at the beginning of the nineteenth century. The book will thus find its due place in the library of those historians of economic thought interested in a strand of thinking that caught the attention of leading economists such as Jean-Baptiste Say, John Stuart Mill and Karl Marx.

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Dimitris Milonakis and Ben Fine, *From Political Economy to Economics*. Oxford and New York: Routledge, 2009. x + 374 pp. £27.46 (paperback). ISBN 978-0-415-42321-2

Economic history is an interpretation of the past provided by scholars who, in turn, are the carriers of the evolution of economic thought. The two trajectories – history and theory – coincide. Only with the advent of the accelerated fashion to use mathematical formalisation as the dominating means of communication, economic theory took on the character of a Sprachspiel (a game within language, in the sense of Wittgenstein) and was more and more decoupling from its object of investigation. So while at first sight the use of the rigorous apparatus of algebra and calculus certainly can sharpen the discourse on the political economy, a closer look immediately reveals the danger that a language (mathematics) so keen to increase its distance from empirical observation starts to live a life of its own. What often is trivial with regard to the object of investigation in the formal language appears as a highly complicated matter; what indeed would be interesting in political economy is easily ignored (or assumed away) in a

formal model. In this latter sense, contemporary economics often degenerated to a discipline of intellectually demanding ... manipulative ideology.

The book *From Political Economy to Economics* written by Dimitris Milonakis and Ben Fine aims at a re-orientation of 'economics as a social science' – more precisely a rebirth of the original project of political economy – to overcome the impasse described in the previous paragraph. The route they choose to do this is to take the reader on a journey through the history of economic thought. This historical path starts with a concept of 'political economy' as conceived by Adam Smith and David Ricardo and ends at what contemporary universities usually teach as 'economics'. By telling the story of how the sequence of economic thinkers (and their relationships to the society they lived in) evolved, the authors hope to play a tune, which brings petrified views on economics to dance. Paraphrasing this famous didactic idea of Karl Marx seems to be appropriate for a book that attempts nothing less than a critique of political economy: '... these petrified relations must be forced to dance by singing their own tune to them!' (Marx 1970). As their subtitle already suggests, the critique of the narrowing down of methods is only one of three aspects they want to emphasise: 'Method, the social and the historical in the evolution of economic theory'. The necessity to re-introduce history into economics has already been highlighted. Milonakis and Fine proceed by exposing the sequence of scholars, which has framed the history of political economy since the eighteenth century: Smith, Malthus, Ricardo, Mill, Marx, Menger, Marshall, Veblen, Böhm-Bawerk, Pareto, Schumpeter, Mises, Hayek, Keynes, Friedman, Samuelson and several less-known contributors all are dealt with explicitly to show how history as well as method and economic thought were reflected and developed in their work. In between this chronology of grand social scientists, ideas on concomitant topics (e.g. German historicism, marginalism, positivism, formalist revolution) have been artfully interwoven. And as this impressive social evolution emerges in the reader's mind – rendering ridiculous the claim of postmodern authors rejecting the very possibility of grand theories – the third aspect of this tour de force becomes visible. After a long detour of dividing, specialising and singularising the social sciences, and in the face of a global society ever more interconnected on all levels, this Taylor-trend at best leads to apologetic piece-meal engineering. The authors thus claim that a profound synthesis of all parts of social sciences is on the agenda. The drama they show to the reader turns out to have led to a contemporary tragedy – although perhaps with a happy ending in the future. The ascending path of classical political economy passed its zenith in the second half of the nineteenth century and lost its way during the disastrous world wars of the twentieth century. Only the reintroduction of

history, a radical revolution of method and a serious effort to synthesise all parts of social science can produce a new theory of political economy, a new political economy.

This more than less implicit general agenda of the book is hidden by its sometimes disturbing structural independence of chapters. As the authors frankly admit in the introduction, their work had been growing over a longer period of time, leading them from one focus to the necessity to include another piece of knowledge, which, in turn, provoked the discussion of a further element, and so on. The book certainly is not a textbook with ready-made and clear-cut arguments to be learned by heart for an examination. It rather mimics how high-quality research in political economy actually proceeds; namely, by wandering through existing knowledge and exploring new ideas by precision and free-wheeling association, following a topic as it is encountered and leaving open ends as the distance to the main stream of argument is getting too large. For the educated and patient reader, as well as for the curious newcomer to political economy, it will be most delightful to follow Milonakis and Fine on their way from the late eighteenth century to our time. In each chapter they managed to pack a wealth of details, which are waiting to be discovered. The larger picture usually only emerges *ex post*, as the reader recognises the pieces as pieces of a puzzle.

The only frustration, which some readers might share, is that the grand tale of the authors ends too early. Indeed, the development after World War II is only touched upon rather cursory on the last 10 pages – the great finale seems to be missing. But if one reads again the title of the book, *From Political Economy to Economics*, then there is a straightforward explanation. Since 60 years there has not been much left of ‘political economy’, we have arrived at a state of an extremely narrowly understood discipline of ‘economics’, where not much is happening any more. Milonakis and Fine just note two trends, the ‘implosion of principle’ and the ‘explosion of application’. The first circumscribes an element of style, of a fashion of a certain formal language, which implies a forced self-restriction concerning the appropriateness of topics. ‘Whereof one cannot speak, thereof one must be silent’, wrote Wittgenstein in his concluding paragraph (Wittgenstein, 1921). But as Wittgenstein himself later remarked, such an attitude easily can assume an imperative meaning: ‘If you try to speak nevertheless on certain topics (with a language we consider non-economic), then please shut up’. Given the high individual intellectual investment that some high priests of this dogma have to defend, an initially modest attitude can turn into an authoritarian redefinition concerning what the discipline, now ‘economics’, has to deal with. From this perspective it is understandable that, in the face of the

deepest general economic crisis since the Great Depression occurring in the real economic world, the general answer of the mainstream economic dogma was silence, an ‘implosion of principle’. In the same vein, Milonakis and Fine put some faint hope on the evident ‘explosion of application’. ‘Practical men’ involved in applied economics often cannot afford to ‘hear voices in the air ... distilling their frenzy from some academic scribbler of a few years back’ (Keynes 1936: 383). A true and useful theory will always rely to some extent on successful social practice and the failures to do so herald the breakdown of even the most powerful dogma.

This then could be a central message of the many stimulating inputs the readers of the book can expect. To cope with the current problems of the world economy, the exploding literature on piece-meal engineering, in particular when framed in the strange formal language of a dying paradigm, are less important than to take a look back on the long-run development of the political economy. The book by Milonakis and Fine is an excellent starting point.

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This book provides a sociological analysis of business cycle research in Austria, starting with the foundation of the Austrian Institute for Business Cycle Research in 1927 and covering its history right through the First and Second Republic of Austria (renamed WIFO, Institute for Economic Research) to the present. Its title, which aptly characterises the book's