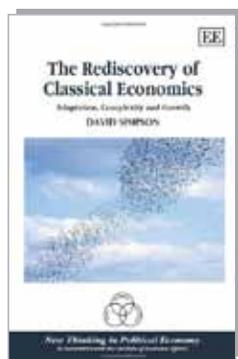


The Rediscovery of Classical Economics: Adaptation, Complexity and Growth

By David Simpson
Edward Elgar (in association with the Institute of Economic Affairs), 2013
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Being as I am what I thought of as the last of the classical economists, to my astonishment I was sent a book to review written by someone else of the same cast of mind, living half the world away in Scotland but who thinks the same as me on so many levels that I was as astonished as I was excited to read through his book. I will begin with the letter I sent to the author and then continue from there with a few more details.

Our mutual publisher at Edward Elgar has given me your email address, and by way of an introduction, I might just mention that I was one of the reviewers at Elgar who looked over your proposal for what became your excellent and extraordinary *The Rediscovery of Classical Economics*. I had not, however, actually seen the book itself until last week when I was sent a copy to review by the CIS in Sydney. And now that I have read what you wrote, I can honestly say that I have never come across a book that is so exactly written along the lines I think myself. What a revelation it has been, and what a pleasure it was to read!

You are the only other person I have ever come across who understands economic issues almost identically in the way I do. I often say to people I am a classical economist, which I do to distinguish myself from all modern versions of economic theory which I have the same kind of disdain for as you do, but also to separate myself in smaller ways from

Austrian economics, which is similar to how I think about economic matters but not the same. My economics is the economics of John Stuart Mill. And while I have added a few modern attachments, since economic theory has not been totally barren for the past 150 years, for me it's been close enough not to matter. The last economist of the mainstream for whom I have a great affection is Allyn Young (1928) and there is virtually nothing in Mises and Hayek I ever disagree with.

Yet my orientation is Mill (1848). I see my economics as being in direct descent from the English classical tradition (and indeed the Scottish tradition given that JSM was the first-born son of James Mill). And in how many ways, both subtle and obscure, do you and I see the same kind of thing. Your distaste for equilibrium economics since the marginal revolution is shared by me 100% although until I read your book would not have thought to put it just that way. In my *Free Market Economics*, just to take this one example, I preach against $MR=MC$ as a valid way to think about economic issues. I have an entire chapter and an even more explicit appendix, and it is amplified in the 2nd ed. well beyond what was in the first, because marginal analysis, as we teach it today, sees an economy converging at some point, whereas I think of an economy as an open ended exploration into the unknown future which is driven by entrepreneurs but is an adventure in which every human being shares. And I make it very clear to my students that if they draw the $MR=MC$ diagram, I will not mark the question and will automatically give them zero for that part of a test or exam. And in fact, you have seen my book which you used to outline the classical theory of recession in your Chapter 8, so you may already have seen what I have written on this.

I really could go on but perhaps not now. I will only emphasise that because I came to classical economics by way of John Stuart Mill and Say's Law I have had a different approach from the one you took, but the moment I read what you wrote, it was as a duck to water. What was so incredible to me was to find that in relation to all of the ideas I have been chiselling away at the rock that surrounds them, I have little appreciated all that while that there have been others doing much the same. Nevertheless, I think our approach is reasonably unique which the last chapter of your book more than confirmed for me. You just might find this interesting which is a post I put up at the Societies for the History of Economic Thought website just the other day after Tom Humphrey accused someone else of being the last of the classical economists:

I think there are more classical economists around than Thomas Humphrey might have taken into account. I always call myself a classical economist to differentiate my views from those who have come later. And given my partiality to John Stuart Mill and Say's Law, I don't think there should really be any doubt where my views might be placed.

But let me also say there are more of us classical economists around than you might think. Not a lot but definitely more than just one. Can I therefore recommend to you David Simpson's extraordinary and excellent, *The Rediscovery of Classical Economics: Adaptation, Complexity and Growth* (Elgar 2013). This is exactly what the title discusses, the importance of thinking about economic issues with the concepts that had existed amongst the genuinely classical economists at a time before the emergence of

marginal analysis and our modern focus on equilibrium. If you read it, you will find modern economic theory not only a pallid imitation of what a true economic theory ought to be but also understand why our textbook version of economics has become near useless in either comprehending or managing our economies.

Anyway, my 2nd ed. will follow yours in being a joint Elgar-Institute of Economic Affairs publication. And as I have written to the publisher, I think the two books together make a matched pair.

I think I'd better finish off here. I stayed up till all hours last night to watch the final of the Olympic hockey (I'm Canadian born, you see, though have been here in Australia for near forty years) and am really in no shape to write anything. I hope this is a correspondence that will continue and from which we may both profit.

And so I continue to hope. But these are two books that you, the reader of this review, could profit from, both his and mine. Here I will stick to his but what astonishes me is that Simpson, starting from the microeconomic side, and I starting from the macro, have ended up in the same place. If you think about economies in relation to equilibrium, that is, if you think of economies as converging on some point of stationary balance, then you are thinking about economies in such a false and misleading way that you will never make complete sense of what's going on. Yet that is how all modern economic theory is taught, from supply and demand to aggregate supply and demand. It is about reaching an equilibrium where economic conditions come to some kind of stationary balance.

In a world of seven billion people, with path-breaking innovation taking place on an hourly basis if not more often, the idea that equilibrium and convergence makes any coherent sense is deeply misleading. But to return to a pre-existing

form of economic analysis you must go back beyond the Keynesian Revolution of the 1930s, and then go back beyond the marginal revolution of the 1870s, and submerge yourself in the economics of the classical economists.

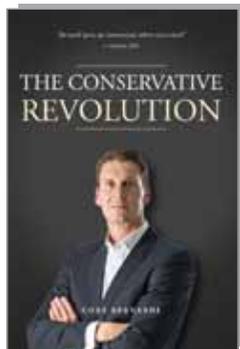
Feel free to content yourself with the pallid and superficial economic theory of our own time if that suits you. But if not, then get yourself a copy of David Simpson's *The Rediscovery of Classical Economics*. And you don't have to be an economist for it to make perfect sense to you. written for the general public you will begin to see why economic policies so often nowadays tend to make things worse. It is only the overlay of that remaining classical residual that saves modern economic theory from being of absolutely no value at all.

**Reviewed by
Dr Steven Kates**



The Conservative Revolution

By Cory Bernardi
Connor Court, 2013
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Some years ago, three friends and I formed a dining club. The idea arose from the realisation that we were all different but also had common characteristics, including a natural conservatism and respect for traditions, a love of good conversation aided by food and drink, an interest in politics but not politicians, and an interest in sport but not to the exclusion of the arts. What also cemented our friendship was our scepticism, in particular, who and what we did not like. We started a list of those we didn't like during a drink at a pub called the Palisade in The Rocks in Sydney. The list became so long that we divided the names into categories and, conscious of the double

meaning, called them stinkers. There were political stinkers, literary stinkers, sporting stinkers, poseur stinkers, male stinkers, female stinkers ... Gough Whitlam had the distinction of fitting into all categories except the sporting. Then we decided to form a dining club of likeminded people, with an invited speaker to present a paper at each dinner. I don't think anyone ever threw a bread roll down the table but as long as it was timely and hit the right target we would not have minded. There was a gentle encouragement of amusing interjections. The late Roddy Meagher was our first speaker and patron.

We might very well have called the club The Gadfly or The Contrarian, but we called it The Palisade. It seemed an appropriate name. The Palisade had wooden floors and a simple, unadorned interior, an absence of music and poker machines, and a smattering of blue-collar workers and city professionals. The pub was a preservation of the old, adapted and used for the present—the very definition of our type of conservatism. The name suggested a bulwark against what we did not like.

Now the docks over which The Palisade stood are soon to be Barangaroo'd into soullessness with ugly modern office towers, food courts, and a casino. Nobody will remember the atmosphere, or the view between the ramshackle streets of the Rocks to North Sydney and the Harbour Bridge, or the summer nor'easter that used to slink comfortably in through the French doors and around the main bar. We chatterers have been chained to our desks by the awful greyness of the post-GFC world and no longer have the luxury of a few 'misspent' hours of a summer's afternoon talking and drinking.

Why this long, personal introduction to Cory Bernardi's book? For me, being a conservative, believing in traditions, and 'conservatism' itself are not concepts that I can clearly write down. They do not amount to a creed or something that I especially recognise in others except in the broadest sense. My type of conservative actually lives in that moment where the past, present and future collide. It can be exciting but it can also be filled with a sense of thoughtful loss. This is a very personal concept, despite Bernardi's attempt to gather our thoughts, steal our hearts, draft a doctrine, and prepare us

