

# Lessons for Economists

**Prijono TJIPTOHERIJANTO\***

Book : *FIFTY MAJOR ECONOMIST* 2<sup>nd</sup> Ed.

Author : Steven Pressman

Publisher: Routledge; Oxon UK and New York, U.S.A; 2006, xxiii + 322 pages

If someone wants to learn the history of economic thought as well as the contribution of the economists to real world development, then he or she has to read this book. The “Fifty Major Economist” not just brings the reader to understand the thinking of the economists, but also some aspect of their daily life as well as their struggle to put economics become respected discipline in line with other social sciences.

In addition this book also can be an important source for policy formulations. For example, an understanding the work of Thomas Mun (1571-1641), the best-known economist and most respected member of a so-called “the mercantilism”, can be used for understanding the economy of Japan. The success of the Japanese economy in the second half of the twentieth century was achieved with the aid of economic policies that were mercantilist in spirit, even if not in intent. The Japanese government set high productivity standard, like of the Mun’s suggestions for the benefiting from trading with other countries, helped Japan become a producer of high-quality consumer goods. Economic success was also achieved by using tariffs and protectionism to steam import, while encouraging domestic firm to export goods.

Another example can be drawn by reading the life of David Hume (1711-1776). According to Hume, trade helped poor nations, but it did no harm to wealthier nations. Trade enables poor countries to grow and developed; their standard of living would converge with that of their wealthier neighbors and trading partners. One mechanism that Hume identified as leading to converging

---

\*Visiting Professor, Graduate School of International Cooperation Studies, Kobe University.  
Professor of Economics, University of Indonesia.

living standards is the transfer of technology from more advanced to less advanced economies. As the recent examples of South Korea, Malaysia, Taiwan and Hongkong (all the “new Tigers” in Asia) show, advanced technology allows the living standard of less developed countries to rapidly approach that of more developed nations.

As to countries with the high population growth like India, Indonesia and even China, following the advice of the Amartya Sen (1933- ), the Nobel Laurette in Economics in 1998, who puts emphasis on in improving life expectancy, literacy, health, and education level of people as a goal of their economic development is a must. For Sen, the development involves “expanding the capabilities” of people. Sen distinguished economic growth from economic development. Growth means producing more things regardless of what happens to the people producing and consuming these goods. Economic growth raises per capita income and output. Economic development makes people part of their community and allowing them to appear in public without shame because they are regarded as worthwhile individuals. Sen might follow the view of Gunnar Myrdal (1898-1987) who brought sociological, historical, psychological, and political insight into his economic analysis. However, Myrdal is also critical of the methodology employed in orthodox economic analysis. Myrdal goes further in criticizing the social scientists in general, and economists in particular, because they could not write and speak to ordinary people. Instead, professionals generally write and speak only to each other. This reduces the importance of social science scholarship.

This kind of criticism also comes from John Kenneth Galbraith (1908-2006). Galbraith regarded his fellow economists as “idiot savants” who can do sophisticated mathematical analysis but fail to understand the real economic world. Even in his Presidential Address to the American Economic Association (AEA) Galbraith criticized economists for ignoring power relationships. Economic thinking removes power from the realm of discourse by denying its existence and by assuming that the market will mitigate the power of the firm. Even though many economists probably would claim that Galbraith is not really an economist at all looking at the wide range of his ideas and writings. Hence, his work on economic power and on the role of government policy as a measure to control the

power of large corporation is very important not just for an economic analysis, but also for a policy formulation.

The most controversial figure is Joseph Stiglitz (1943-). Not only because his criticism to the World Bank which he has work as the Chief Economist previously, but especially regarding his daily life. At young age of 26, Stiglitz had become a full professor at MIT. The position was offered only on the condition that he sleeps in apartment rather than in his office, and that he always wear shoes around the office. This reputation for eccentricity has grown, rather than diminished, over the years. When he served on President's Clinton's Council of Economic Adviser, 1993-1997, Stiglitz once showed up at the Cabinet's meeting with his ties outside his shirt collar.

Reading this book, every economist has to praise the achievement of Alfred Marshall (1842-1924) who succeeded in his struggle to separate economics from other social science discipline in 1903. The teaching of economics which started at Cambridge University on that year soon followed by other institutions in Europe. And from that time on economics become a recognized discipline throughout the world. As a result, students throughout the world were able to major in economics, and to study the many notions introduced by Marshall up to present time.

This book is very good for reader who wants to understand more about economics and the economists. Especially for someone who has interests in the history of economic thought. Since the "Fifty Major Economist" offers to the readers a development of economic thinking from mercantilists period up to the public choice school which brings economic analysis to the formulation of policies by the government officials, the bureaucrats. The only missing and disappointing in the book is the indexes, both name index and subject index. Therefore, it becomes difficult for the reader to trace certain name or subject matters. However it is only a small note, which is not diminish the great value of this a very important and must read book.

