

What's the use of economics? Teaching the dismal science after the crisis

Diane Coyle (Ed)

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This book is an edited collection of twenty-three short essays. It incorporates a range of economists, adding government and city economists, journalists, and economic consultants to the usual mix of academic contributors. It is notionally about how to teach economics but it goes much further than that, offering a range of explanations for the crisis, to what extent economists were wrong about the crisis, why this happened, and how to address any failures which were evident.

Given the nature of the book it is hard to pass general comment or address its many themes. The angle taken here addresses one key question. In an earlier review of the book, Will Hutton says quite simply: 'Economics cannot stay the same after this book'. Is this true? What do the chapters of the book suggest?

Clearly many of the contributions in the book do indeed suggest that — as brought to a head by the crisis — economics and economists have deficiencies in a range of areas. Many foundational aspects of the discipline are held to account. Models are under great scrutiny: not models *per se*, but an over-confidence in them by economists. Too often, these models are elegant but unrealistic, ahistorical, one-dimensional and hence perform poorly in terms of explanation, understanding or prediction.

Specific repeated targets for criticism in the book are rationality, dynamic stochastic general equilibrium models, and others which assume away too much or assume linearity, stability and completeness. Particular criticism is directed towards macroeconomics. Essays by Carlin, Farmer, Friedman and Haldane offer quite fundamental critiques of some aspects of macroeconomics. This supports Hutton: after this book, economics and economists must change.

However, throughout the book, very bold opening gambits are weakened by defensive moves denying the necessity of radical reform. More economic history is necessary; greater interdisciplinarity is desirable; more awareness of complexity is sorely needed; insights from other disciplines can be valuable; insights from behavioural economics should be (and are) included in Economics curricula. Beyond that, though, the core of the subject remains sound. It is stated that, for a variety of reasons, teaching must communicate that core. Quite short shrift is given to those who now, or have in the past raised fundamental criticisms of mainstream economics.

It is perhaps significant that the book also does at times evaluate barriers to fundamental change. One reading of the book is indeed that the book itself demonstrates the potential for inertia.

Two other brief comments about the book are perhaps worth making. Though the book is about teaching economics, little time is taken considering the objectives of doing so. Yet, as has been argued repeatedly (for example, Mearman, 2013), teachers cannot do their jobs well if they are not clear on what they are trying to achieve.

Szirmai A, Naude W, & Goedhuys M (Eds.)
Entrepreneurship, Innovation, and Economic Development
Oxford U P, 2011
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This is a helpful book that brings together current writings on the link between entrepreneurship, innovation, and development. The book attempts to answer three sets of questions: What is the impact of entrepreneurship and innovation on growth and development? What determines innovative performance? And what can be done to support innovation?

The book follows a broad definition of innovation as ‘the development of new products, new processes, new sources of supply but also the exploitation of new markets and the development of new ways to organize business’ (page 5). The book accepts that entrepreneurship in developing countries can be unproductive and a survival strategy but attempts to understand instances of productive entrepreneurship that can be associated with innovation and in turn, economic dynamism and catch up at the country level. The main advantage of this book is that it brings together authors with differing viewpoints and differing methodologies (both quantitative and qualitative). The book has eleven chapters of which five chapters cover issues related to a cross-section of countries and the rest focus on country specific case studies. The case studies cover Vietnam, Ethiopia, Turkey, India and also a developed country — Finland.

The introduction to the book is clearly written and has an interesting self-reflecting style that highlights debates that remain unresolved. For example, Chapter 3 by Alice Amsden emphasizes the role of *large domestic* firms as key to entrepreneurship led catch up. At the same time Audrestsch and Sanders emphasize in Chapter 3 the role of foreign firms transferring technology from the North via offshoring. Other papers, including the chapters by Gebreeyesus on Ethiopia and Voeten, de Haan and de Groot on Vietnam,