PREFACE

Change is in the air, and the study of economics offers no exception. As economic theory responds to modern problems and incorporates new ideas, readers feel the need for books that are transitional. The earlier editions of *The Making of Economics* were intended to bridge the gap between what economics has been and what it is becoming. This new edition, comprised of three volumes, is a continuing statement about the escalating desire for such a linkage as well as a sharpening vision of the destiny of economics.

The goals of these volumes are several. I want to convey where economics has been, where it is now, and how it got to be this way. I want to discuss current developments in economics and where economics might go from here. I want to catch the new sense of excitement by setting my sails in the winds of change.

In convergence to these objectives, an accelerating trend toward optimism and a sense of direction about the nature of new economic ideas characterize the recent editions. Not all economists—including those I find most agreeable—share this optimism. I nonetheless sense change in the wind. The dogmatic position formerly held by many economists that economic science had achieved its final and permanent state has softened, a mutation appropriately considered. The end of dogmatism could be timely. The world is beset by economic problems, and many of the problems we face—such as national budget deficits in the face of unmet social and economic needs—apparently have no solutions to which reasonable people can agree. It is important for all of us to try to understand how and why these developments have occurred and whether some are simply imaginary aberrations.

Because the present is rooted in the past, we gain a good deal of understanding from the study of the ideas of the great economists who have formulated the basic principles of modern economics. We are not concerned with only economic thinking, however. We also look at the social and economic conditions to which these thinkers have responded and consider the relationship between what economists think and why they think it. Like men and women in every walk of life, most economists reflect the values of their culture and want to be accepted by their fellow citizens as responsible members of society. Their thinking, therefore, is a reflection of their social world and vice versa. Volume I is about the founders.

Our study of economists will begin with the founder of founders, Adam Smith (1723–1790), and continue to the present day. Smith thought and wrote as the Industrial Revolution was getting under way in England. Business and manufacturing firms were still quite small, with many competitors in the same field. Smith's economic theories conformed to this business atmosphere of intense competition, and thus he wrote, in a sense, what most of the eighteenth-century traders and merchants wanted to read. But there was more to Smith than met eighteenth-century eyes, otherwise his ideas would not have endured so long. He revolutionized economic thought, and much of what he had to say instructs economists today.

Smith was profoundly affected by the English scientist and mathematician Isaac Newton (1642–1727), whose scientific work had caused great changes in the prevailing world view of most educated people. The universe pictured by Newton operated with the order and precision of a giant clock. Smith adapted Newtonian harmony to eighteenth century commercial activity, finding, for example, an almost perfect equilibrium between supply and demand in a business world of perfect (or nearly perfect) competition.

Perhaps the most incessant charge leveled against contemporary economics is that it lacks relevance. Economics today still works with many of Adam Smith's assumptions, such as the world of perfect competition, even though the most powerful elements in the modern economy bear little resemblance to the world of Adam Smith. Borrowing its assumptions from the Scientific Revolution that closed the Middle Ages, too much of modern economics supposes that people behave like inanimate particles. Natural science has undergone several revolutions since Newton's time; economics has not. One of our purposes throughout this edition will be to try to discover why this happened. Economics is about people as well as about inanimate objects. Since the first edition, the recognition of the social and political content of economics has grown among economists.

History tells us that major steps forward in economics have resulted from attention to the realities of hunger, depression, inflation, war, social discontent, and other maladies. A return to a concern with such problems—and we come to examine many that plague modern-day society—may lead to a transformation of economics. Any subject, even a mathematical natural science, cannot avoid humanity and thereby avoid becoming humane when it is studied as history.

Economic problems remain with us today because we have not yet resolved conflicts that have plagued humanity throughout 5,000 years of history. We are still quarreling over such fundamental issues as the degree of private ownership versus common ownership; individual freedom versus the common good; the virtue of private versus public monopolies; the advantages of rapid technological change versus the pastoral pleasures of an undisturbed natural world; and the gains of science versus its danger to human survival.

Any new vision will recognize the existence of conflict. The scientific system of Adam Smith has failed to resolve society's long-standing problems of scarcity, equitable power, equitable income distribution, work satisfaction, and poverty—not because of scientific imprecision but because of the assumptions underlying the system. Naive eighteenth-century natural science will ultimately be amended in its applications to economics. Those economists who have had the courage to go up against the conventional wisdom are already lighting the way. Volume II brings readers right up to date with recent contemporary visions that now collectively comprise conventional economics. Many of these visions are reconstructions of the founders' ideas. Then, Volume III is about those "radicals" who—in one way or another—opposed the prevailing orthodoxy.

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My reviewers and I are practical. We know that a question always arises about the potential audience for any book. The only prerequisite for *The Making of Economics* is an inquiring mind. A beginning reader in economics can easily read these volumes, as I do not presuppose any prior study of economics. Over the years *The Making of Economics* has provided, I am told, the beginning reader with meaningful insights, and, I am also told, the book has been of great interest and valuable to those who possess a sophisticated understanding of economic theory and history.

I wish to thank the many people who over the years have assisted in making this so. Among my many helpful readers have been James Angressano, Richard Ballman, Thomas W. Bonsor, Don C. Bridenstine, Les Carson, Gordon Galbraith, James H. Homer, John W. Isbister, Thomas Iwand, Robert Keller, Odin Knudsen, Andrew Larkin, Stewart Long, Floyd B. McFarland, Gerhard Mensch, James W. Nordyke, and Herbert D. Wemer. In a list already growing long, I would be remiss not to mention friends and associates who have given so much advice and encouragement over the years. They include John Q. Adams, H. Peter Gray, John Boorman, John Hotson, Don V. Plantz, and Sam Skogstad. I greatly appreciate the careful and critical reading of all portions of the first edition that contained references to natural science by a leading physical scientist, Michael Kasha, then Director of the Institute of Molecular Biophysics at Florida State University.

John Kenneth Galbraith graciously read the original manuscript as well as later editions and, as always, has been a source of kindly encouragement. Many—far too many—are among the missing, and they made valuable contributions to one or more of the editions. The late Joan Robinson, Cambridge University, read the sections on the ideas of her friend John Maynard Keynes and provided essential insights and corrections. My friend, the late Abba P. Lerner, provided similar advice, some of which was counter to Joan's. The late Sidney Weintraub of the University of Pennsylvania, as one of the founders of Post Keynesian thought, provided thoughtful and meticulous comments on the Keynesians and Post Keynesians. The late George Brockway has inspired many amendments through his insights, wit and humanity. Still another friend, the late Mancur Olson, of the University of Maryland, provided valued reactions to my interpretation of his *Rise and Decline of Nations.* My friend and a mentor, the late Hyman Minsky of Washington University, also devoted considerable thought to and several suggestions for my discussions of finance and investment for the third edition. Lest some economists think that reading Canterbery will be the death of them, I would remind all that these economists comprised a generation that preceded me. I also wish to thank M. E. Sharpe, Inc., and the *Journal of Post Keynesian Economics* for permission to use excerpts from my articles that appeared in the Spring 1973 and Fall 1984 issues.

I exonerate all of the above from the responsibility for any possible errors or interpretations that are uniquely mine.

E. Ray Canterbery