

BOOK REVIEWS

Economics: Trapped in the Ivory Tower

by Peter J. Boettke

Economics on Trial: Lies, Myths, and Realities by Mark Skousen. Homewood, IL: Business One Irwin, 1991, pp 314.

This is an important book. It is intended as a students' book — a supplemental book for the principles of economics that will help clarify the relationship between what students learn in the classroom and in textbooks with the actual operation of economic and business life. But it will benefit greatly all those who read it—student, layman, and especially professors.

Skousen draws on over twenty years of experience as a professional, *practical* economist to examine much of what passes today as *academic* economics as conveyed to students through the top ten text-books on

the subject. As he points out, most college courses in economics are taught by individuals who have no practical economic training or experience. Most academic economists learned economics from textbooks written by a previous generation of scholars with the same background.

But Skousen is not just another business critic of the academic economics that believes that life experience excuses judicious study of a discipline. Skousen, a trained academic economist (received his PhD from George Washington in 1977), is conversant in the history of economic thought, economic history and contemporary developments in economic history. Thus, his criticisms are quite sophisticated. He penetrates to the core of the discipline and reexamines the basic definitions of economic principles.

The great British economist Alfred

Marshall remarked that economics was the study of the ordinary business of life. This was a belief shared by the classical economists. Ludwig von Mises improved upon this definition of economics arguing that economics is a broader science — praxeology, which studies the purposeful behavior of individuals. In this manner Mises was able to provide a more sound foundation for studying the questions the classical economists and Marshall sought to address. Mises's theory of market activity addressed the broad concerns of business life, including the role of accounting, management, production, and marketing.

For the last fifty years, however, economists as a whole have defined economics as a narrow allocation problem. Standard text-

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Is justice possible without the state?

By Maria Lisak

The Enterprise of Law: Justice Without the State by Bruce L. Benson published by Pacific Research Institute for Public Policy

The Enterprise of Law written by Bruce Benson is a book that confronts the attitude that all law and order must be established by the state or by government. Benson delves into an alternative way (a private market that efficiently adapts to the immediate needs of individuals) to establish organized law and order without the coercion of government. Starting with historical and anthropological data, Benson shows the presuppositions that are built into US government, and the problems that have evolved with these assumptions. The author analyzes law and justice as a political market and presents an alternative view of privatization. The inadequacy of public law and enforcement and the emergence of currently available private options are weighed and expressed with concrete examples and statistics that are

fully documented and not merely invoked as "common knowledge."

Benson begins his evidence with chapters on 'Customary Legal Systems with Voluntary Enforcement' and 'The Rise of Authoritarian Law.' With examples of primitive societies and historical data of the Law Merchant from Anglo-Saxon customary law, Benson shows the existence of voluntary law and its enforcement. Benson also examines the rise of authoritarian law, and how the US builds on that structure. The example of the power granted to Norman kings to protect the common people from outside invaders was originally a contract awarded to the kings by the people. The power that the kings have been awarded is susceptible to abuses to prolong their monopoly on power. With further examples of this type, Benson justifies himself in the comparison between early English law and the present government of the US.

Benson looks at law and justice as a political market. He examines the demand and supply side of the political market.

These chapters are enlightening, empirical evidence of how strongly special interests run today's US government. It also destroys the naive view that public officials have public interests at heart. He clearly is warranted in his statement that public officials are self-interested parties just as other individuals are. A correlating chapter of corruption of law enforcement officials gives more credit to this statement and also examines the likelihood of corruption among enforcement officials because of the widespread opportunity and low opportunity costs involved in risk taking for them.

After examining the inefficiencies of government, Benson points out currently available options in privatization. He statistically backs up emerging markets (such as contracting out, security guards, neighborhood watches) and analyzes them from different aspects, often confronting views against privatization (i.e. from the ACLU). His economic analysis hits right at the heart

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manipulation of the market by a few.

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of special interest groups and government intervention as not allowing the newly emerging markets to function to their full potential. He points out trends and provides an analysis on the benefits of privatization.

Benson confronts the issues arising as to the market's failure in law and justice. Benson overcomes these critiques by evaluating the current legal monopoly of coercion that the government has. He points out instances where private options have been eliminated because of the protectionist attitudes of those involved in current, ineffi-

cient government/public agencies and how they have been able to do this "legally."

Benson concludes his book with chapters on 'Political Barriers to Privatization' and 'Envisioning a Private System.' He points out further evidence of political manipulation.

In his final chapter, 'Envisioning a Private System,' Benson admits that a change to privatization will only occur because of the success and workability of the ideas like contracting out and neighborhood watches. He speculates on some trends and how and why they could happen.

This book is an excellent alternative outlook to overcoming the current inefficiencies of public and government law and its enforcement. It gives a hands-on solution to the overwhelming bureaucracy we are faced with in seeking justice for ourselves as victims without becoming further victims from the inadequate legislative and judicial system.

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books define the problem in the following manner: *Economics is the study of the allocation of scarce means among competing ends.* In this static problem, both means and ends are given and simply need to be allocated economically. Students are taught that not only do they engage in economizing activity when allocating their scarce time between studying English, economics, or going to tonight's fraternity party (a limited though important insight), but societies, as a whole, must economize as well (a meaningless concept at best).

This allocation problem, while undoubtedly a part of our own individual decision making, represents the dynamic processes of economic life. Skousen, following in the Austrian tradition of economic analysis, rejects this standard, static definition of the economic problem, and puts his emphasis on the concept of coordinating the time structure of production.

Business life deals with lengthy and roundabout processes of production employing thousands of anonymous individuals along the way in the social division of labor. The classical metaphors in economic education, Adam Smith's woolen coat, Bastiat's Paris, or Leonard Read's pencil emphasized this point. The economic *miracle* that motivates our study of business life

is the empirical regularity with which thousands of individuals are coordinated with one another in the absence of central direction to produce the goods and services supplied on the market. Every student who takes an economics course should at least be struck by the subtlety of the mutual accommodation process of free markets. Unfortunately, most majors in economics graduate college without the slightest clue of what a *free market* really is.

In addition to resetting the basic problem that economists study, Skousen critiques the modern macroeconomics represented in textbooks. His major target is the "neoclassical synthesis" and his critique is devastating. He puts asunder such concepts of "conventional wisdom" as the paradox of thrift and the multiplier. Particularly useful for both students and professors will be his discussion of inflationary recessions, depression economics, and causes of unemployment, for here Skousen provides an articulate presentation of the Austrian theory of the trade cycle and recounts the history of the Great Depression to leave no doubt that the cause was *government* policies. Skousen also provides convincing theoretical and empirical arguments against mainstream economics concepts that argue that government spending can get us out of a depression and that our economics system

today is depression proof.

The chapter on the gold standard is outstanding. Most economics texts do not even discuss the operation of a gold standard, devoting relatively few pages to its historical operation, but Skousen demonstrates how a pure gold standard could provide the systematic base necessary for resolving our monetary crisis. In addition, the book contains chapters criticizing the theory of market failure, documenting the burden of taxation, the problem of the public debt, and the poverty of socialism. There is even much more. Economic development, income inequality, the failure of socialism, the model of perfect competition, etc., are all subjects dealt with by Skousen in an admirable and informative manner.

In short, this is a fascinating introduction to applied economic reasoning that not only exposes the impotency of the attempts of modern economics to explain the world, but also offers a powerful alternative that renders the complex world of economic life intelligible for the layperson, student, and professor.

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