

BOOK REVIEWS

Economics of the 1%: How mainstream economics serves the rich, obscures reality and distorts policy

John Weeks. Anthem Press, London and New York, 2014, 227 pp.
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Mainstream economics is in a sorry state. Books and articles criticising it have proliferated in recent years. Students are grumbling about its evident incapacity to illuminate the troubled world in which they live: they have recently formed an international organisation to coordinate and publicise their drive for reform. Leading economists are themselves divided about how to explain catastrophic events such as the global financial crash, the reasons for increased global economic inequalities and the failure to heed environmental constraints on economic growth. There is a widespread public perception that the economics discipline is bankrupt – based on faulty assumptions, using ineffective methods which are unable to explain what is happening, and are incapable of either accurate prediction or sensible policy prescription.

Yet, little sense of crisis is evident amongst practitioners themselves. Economists have long prided themselves on being the most ‘scientific’ of the social sciences. Undergraduates are taught that, by studying the ‘accepted’ theories, they are eschewing value judgements and pursuing objective economic truths. They are inculcated into the view that mathematical formulation and modeling are the effective tools serving that purpose. Indeed, one study of graduate economics students in leading US universities revealed that only nine per cent rated a thorough knowledge of the real economy as important for their success. Meanwhile, academic economists continue to be honoured by the annual awarding of the Nobel Prize for Economic Science (in reality, a Bank of Sweden prize): in 2013 it was awarded jointly to two economists holding diametrically opposed views about the nature of financial crises! One has to wonder what sort of ‘science’ is it that is so remarkably entrenched, yet of such little value when it comes to understanding or steering the world in which we live.

This new book by John Weeks casts light on this conundrum. Right at the outset he posits that ‘[m]ainstream economists have been extraordinarily successful in indoctrinating people to believe that the workings of the economy are far too complex for any but the experts (i.e. the economists themselves) to understand’ (p. 1). Yet what they offer is ‘a dead weight of internal inconsistencies that they present as theory, much like astrologists and alchemists were a barrier to understanding the natural world’ (p. 1). Weeks sets himself the task of ‘deconstructing what is

nonsensical and exposing it' (p. 2). He argues that the current construction of economic analysis is not scientific at all: rather, it is ideological, serving the interests of a small, fabulously wealthy elite (the 'one per cent', to borrow the term made popular a few years ago by the Occupy movement).

The book's excoriation of mainstream economics proceeds step-by-step. Each branch of theory – from market demand and supply through to the role of government and economic policies – is subjected to detailed critique. The chapter titles are indicative, including: 'Market worship'; 'Finance and criminality'; 'Selling market myths'; 'Lies about government'; 'Deficit disorders and debt delirium' and 'Institutionalised misery: Austerity in practice'. Weeks is particularly scathing of the notion of 'competition' that pervades mainstream economic thinking, deflecting attention from how markets actually operate as processes dominated by the interests of the most powerful players – typically, giant corporations. The effects of speculation in financial markets, and the crisis tendencies that recur in a speculative 'bubble' economy, receive similar critical attention. The standard theory purporting to show that free trade benefits all nations is demolished. So, too, is the theory that governments should not incur deficits or debt – a matter that is particularly pertinent in current political economic conditions where neoliberals are claiming that 'there is no alternative' to the policies of austerity. All this, and much more, is the subject of Weeks' powerful critique.

Many previous books have demonstrated these pervasive problems in economic orthodoxy. Titles like *Debunking economics*, *Sack the economists* and *Challenging the orthodoxy* spring to mind. So, too, does the book by Thomas Picketty, *Capital in the twentieth century*, which is currently attracting worldwide interest because its revealing analysis of economic inequality contrasts with the silence of mainstream economists on this crucial issue. The various critics of the mainstream each have their own distinctive take on the source of the problem. Is it faulty method? Is it erroneous assumptions? Is it class bias? Is it an incapacity to keep up with a changing world? In the case of the book under review, all these elements are present in the critique, but the theme that emerges most strongly in the final chapter is the author's view that 'the current mainstream of the economics profession, what I call fakeconomics, faithfully serves the rich and powerful' (p. 189).

There is a strong echo here of Marx's famous denunciation of economists as the 'hired prizefighters' of the ruling class. Of course, economists do not usually see themselves as consciously selling out: more typically they just conform to professional norms without being aware of, or even concerned about, implicit bias towards serving particular class interests. Moreover, it is notable that many of the great figures in the history of the profession have sought to develop critical analyses: Weeks (on p. 192) lists Karl Marx, John Hobson, J.M. Keynes, Michal Kalecki, Gunnar Myrdal, Joan Robinson, Thorstein Veblen, John Commons, J.K. Galbraith, Raul Prebisch, Makito Itoh and W. Arthur Lewis as notably challenging. Today, there are numerous heterodox economists walking in their footsteps and working to develop progressive alternatives. So, it is not all one-way traffic. Yet the mainstream orthodoxy remains dominant, both in university teaching and in economic policies.

This book by John Weeks is a sustained polemic against this orthodoxy. It throws down the gauntlet to the economics profession, leading to a rallying call for change – to an economics for the 99 per cent. Numerous arrows fly, and most hit the target. The major reservation – for this reviewer – is the matter of ‘tone’. On the one hand, it is understandable that an author who has sought, over many decades, to contribute to progressive political economy, is now so exasperated by the entrenched character of the economic orthodoxy that he feels he cannot pull any punches. On the other hand, readers may find the book somewhat hard to take, because reading page after page of denunciation, albeit laced with occasional wit, is quite a challenge. Weeks’ combative style and relentlessly sustained assault may leave you wondering how it can be that a profession is so consistently misleading and so culpable for causing social harm. Perhaps an additional chapter on the sociology of the profession, carefully looking at what influences shape the teaching and research of academic economists, and at their relationships to business, government and the media, could have been helpful in this regard. Or perhaps a more systematic juxtaposition of the mainstream economists’ own claims alongside the author’s critiques could have made it seem more even-handed and therefore more palatable. But being palatable is obviously not John Weeks’ concern: he’s evidently had enough! So, too, have many other radical critics who now regard the economics discipline as bankrupt, beyond repair and needing fundamental transformation.

The required analytical transformation, however, cannot be independent of transforming the actual world that mainstream economists legitimise. In other words, an assault on ‘the economics of the 1%’ evidently must go hand-in-hand with an assault on the material conditions that serve and perpetuate ‘the interests of the 1%’. This is the strong conclusion towards which a thoughtful reading of John Weeks’ latest book leads us. Looked at in this light it is indeed a radical call to action, not just to transform a problematic discipline but to create a new social order that would not require a perversely supportive ideology masquerading as analysis.

About the reviewer

Frank Stilwell is a leading Australian political economist. He is the author of a dozen books, including *Political economy: The contest of economic ideas* and co-author of half a dozen other books, including most recently *Neoliberalism: Beyond the free market*. He has been the coordinating editor of the *Journal of Australian Political Economy* for the last three decades. His email address is frank.stilwell@sydney.edu.au