
Sylvia Nasar (2011)
Grand Pursuit: The Story of Economic Genius
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Sylvia Nasar's *The Grand Pursuit* took a decade to write and provides wonderful entertainment; it is a real page turner and hard to put down. It is also a controversial work and has caused quite a storm. In just over half an hour on the internet one can compile in excess of a hundred single-spaced pages of reviews, some quite scathing. Orley Ashenfelter (2012) wrote a largely disapproving review essay about it. Nobel Laureate Robert Solow's review (2011) was highly critical and he was unable to hide his disdain. So what is all the fuss about?

Nasar has written a sweeping historical drama that starts with Charles Dickens in 1842 and ends with Amartya Sen in 2002. The *Grand Pursuit* is a story of how economic ideas can be developed and used, by very talented individuals, to promote economic security (raising living standards, eradicating poverty and expanding the range of choices and opportunities available to all) despite the economic calamities of war, depressions, financial panics, hyperinflations and social conflicts. The story begins at a time when the mass of humanity was condemned to poverty, to lives of drudgery with little prospect of advancement. Life was an 'inferno of misery, of wretchedness' (p. 31) where 'nine parts in ten of the whole race of mankind' are condemned to lives of abject poverty and grinding toil (p. 5). The 'average male life span in Manchester was seventeen years ... and just one in two babies survived past age five' (p. 13). This changed perceptively after 1870 and the author has chosen protagonists who she argues were instrumental in turning economics into an instrument of mastery over circumstances and who pioneered the understanding of economic growth, productivity, efficiency, new technology and education. The end result is the remarkable achievement that the average Chinese lives at least as well today as the average Englishman did in 1950.

A history of the idea of progress does not appear confronting but the author is not a cloistered academic economist. She is a former economics correspondent for the *New York Times* and now a Professor at the Columbia Graduate School of Journalism. The account she offers is shaped through particular economists that have led exceedingly colourful, and sometimes tragic, lives. It is a mixture of economics, biography and history, and written in an entertaining and at times sensational way, compared to the turgid tomes offered by some of our anal-retentive colleagues. We are presented with courageous, if flawed, heroes (Keynes, Marshall, Schumpeter, Hayek and Sen) and arch villains (Marx, Joan Robinson). There is lots of gossip and innuendo. Romance and affairs of the heart often dominate the logic of discovery. One could be forgiven for thinking they had wandered into a Mills and Boon novel in the author's treatment of Beatrice Webb who 'had already lost her footing and slipped into the whirlpool of emotions to which she was irresistibly drawn but that she could neither comprehend or control' (p. 102). Beatrice married Sidney Webb whom she described as 'an

ugly little man with no social position and less means ... I am not "in love" ... But I see something else in him ... a fine intellect and a warm-heartedness, a power of self-subordination and self-devotion for the common good' (p. 124). One commentator unkindly noted that Beatrice was 'aggressive, imaginative and had a great capacity for ideas' while Sidney 'was almost destitute of initiative and could do nothing with ideas except remember and discuss them.' 'She ran him' (p. 127). Beatrice Webb says of Keynes that 'I think his love marriage with that fascinating little Russian dancer has awakened his emotional sympathies with poverty and suffering' (p. 290). Nasar delights in portraying strong women, even if they are always on the wrong side. She says Joan Robinson was 'imperious, intellectually intimidating, and seductive, she combined Olympian certitude with a fine sarcasm' and 'dominated the men around her' (p. 436). Amartya Sen was one of Robinson's favourite students who fell under her beguiling spell but luckily he was rescued by an Italian woman who set him on a more productive research path dealing with ethics and justice.

All the ingredients of a gripping novel are combined in this work: sex, including the lurid details of Keynes's meticulously detailed 'sex diary' and Robinson's *ménage à trois*; anti-Semitism including Keynes's remark about 'Jews who have all the money and the power and the brains' (p. 291); eugenics; blatant gender discrimination; mental illness; and spies and counterrevolutionaries. Nasar claims that at Bretton Woods 'The hotel was crawling with spies'. The American delegation was infiltrated by KGB agents (p. 396). She alleges that Lauchlin Currie was a Soviet agent while Oskar Lange 'collaborated with the KGB'. But 'these calculating, hard-nosed, duplicitous men reacted with the shocked incomprehension of jilted lovers when Stalin made fools of them' (p. 398).

These sometimes outrageous snippets of personal lives and claims and allegations are sure to offend some readers, and they have made their complaints known. Reviewers have been critical on several levels. First there is the denial that economics has produced any geniuses, followed by the observation that one can hardly talk of economic genius at a time of global financial crisis for which economists bear no small measure of the blame. Moreover, how can modern capitalism be lauded in the context of the excesses of Wall Street? At a second level there are criticisms from authorities on particular individuals or periods who have detected various errors of detail. In such a huge undertaking an author will always be corrected by area specialists. For what it is worth, given that the author is not a trained historian of economics, the number of errors are actually quite small. Robert Solow's complaints are at another level. He is dismissive of the work as it skimps on intellectual content and technical elaboration. He wants a history of economic theory where there is a serious discussion of economic ideas. If so, he should go to Mark Blaug's *Economic Theory in Retrospect*. Not all historians of economics look at ideas in isolation from their social and historical context. Some commentators, such as George Stigler, have dismissed the importance of biographical detail to an understanding of contributions to the discipline. This is a minority perspective. Solow may also be reacting to Nasar's comment about 'Solow, who dismissed Schumpeter, rather unfairly, as a pro-German anti-Semite and an intellectual phony' (p. 443). Solow's complaint that

Nasar provides no serious discussion of economic ideas thus implies that this does not matter for Schumpeter. A final aspect of the critical reviews was that the expectations regarding the book were overly ambitious. Nasar had earlier written the masterful *A Beautiful Mind — A Biography of John Forbes Nash*. Readers were now expecting a successor to it or to Robert Heilbroner's *The Worldly Philosophers*, first published in 1953 and reported to have sold over 4 million copies. Both books would be hard to emulate.

There are, however, more serious objections. Nasar wisely tells us that her book is not a history of economic thought but the story of economic progress. The question then is, given that we have already agreed that it is a highly entertaining story, is it a balanced story? Does it do justice to the main characters? Does it have a particular slant or bias or omit key players? Does it add to our understanding of the stretch of history covered? In all respects there is room for doubt.

Adam Smith rates hardly a mention, let alone pre-classical literature. Veblen misses out. The story ends abruptly and we do not get much of a sense of modern economics and the formalist revolution. We spend an inordinate amount of time in Cambridge, London and Vienna. In Nasar's hands, Karl Marx has never seemed more repugnant. Chapter 1 presents a very unappealing account of Marx — overweight, sloppily attired, immoral, lazy, and slovenly, a hypochondriac, sponging off relatives and friends. In contrast, Engels was Marx's 'guardian angel' — 'It was Engels, the journalist, who supplied Marx with the rough draft of his economic theory' (p. 37). Nasar takes every opportunity to praise 'the angelic Engels' and to inflict scorn and bile on Marx while suggesting that Engels really contributed the intellectual backbone to Marx's works. Her account of Marshall's attitudes to women and education in Chapter 2 is far more positive and encouraging than the conventional account. A very flattering image is portrayed because Marshall had faith that economic science would further 'the progress of social improvement' (p. 80). Marshall 'admired the entrepreneur and the worker' and the business firm was not there to exploit the worker but to produce higher living standards for consumers by producing products of better quality, and at lower costs and continually searching for efficiency gains and raising productivity. Marshall fits nicely into the story Nasar wants to tell and she seems to overlook his less desirable personal characteristics and behaviours.

Chapter 3 devotes a surprising amount of attention to Beatrice (Potter) Webb, possibly because 'she was as interested in winning recognition for her intellectual achievements as for her feminine charms' (p. 94), who chided political economists 'guilty of treating assumptions as if they were facts' and 'paying too little attention to collections of facts about actual behaviour' (p. 116). Nasar claims that no one has greater claim to the invention of the idea of the modern welfare state than Beatrice Webb (p. 131). She advocated a cradle-to-grave system designed to 'secure a national minimum of civilized life ... sufficient nourishment and training when young, a living wage when able-bodied, treatment when sick, and a modest but secure livelihood when disabled or aged' (p. 134). This system was perfectly compatible with free markets and democracy but the rich capitalists would be heavily taxed, not annihilated in class warfare. This is a very useful chapter as is the following one on the under-appreciated Irving Fisher

whom Alfred Marshall and Leon Walras both considered 'a genius' (p. 145) while Paul Samuelson regarded Fisher's thesis the greatest doctoral dissertation in economics ever written. Another intriguing section of this chapter covered the US presidential campaign of 1896 with a very modern resonance about the evils of 'financial tyranny ... merciless unscrupulous gangs of speculators ... not creators of wealth, but the distributors of wealth which somebody else created' (pp. 157–158).

Schumpeter is the subject of Chapters 5, 6 and 8 and reappears in 10 and 13. Clearly, Nasar finds him far a more interesting, tragic and colourful character than Solow does. Schumpeter is praised for his appreciation of innovation and entrepreneurs and the recognition that 'The capitalist process, not by coincidence but by virtue of its mechanism, progressively raises the standard of life of the masses' (p. 189). Yet Schumpeter does acknowledge that the financial sector's peculiar dependence on confidence and trust made it vulnerable to panics and crashes, and does not underestimate the challenge of democratic governments in reconciling the gap between the public's expectations and their willingness to pay taxes, a gap that can lead to chronic budget deficits and inflation (p. 201). We are also introduced to the brilliant Frank Ramsey who believed that imaginative solutions could always be found for social problems. Chapter 6 covers Schumpeter as a failed finance minister in Vienna, while Chapter 8 follows Schumpeter and Hayek in Vienna. We enter the world of the famous Vienna seminars that included Hayek, Morgenstern, Haberler, Machlup and Karl Menger and learn that Hayek initially considered himself a Fabian Socialist (p. 275) and that in early 1929 he forecast the collapse of the American stock market. Benefactors are also important. Von Mises raised enough money to create an independent forecasting institute and put Hayek in charge of it (p. 279). Hayek and Schumpeter 'wound up intellectually isolated' (p. 332) during the years of the Great Depression and immediately thereafter. 'Hayek was left less embattled than entirely eclipsed' as he and Robbins were 'side-tracked, without influence or even relevance' (p. 334). Friedman described himself as 'an enormous admirer of Hayek, but not for his economics.' Chapter 13 describes Schumpeter and Hayek 'in exile' with 'enforced inactivity, isolation and exile' during the Second World War. Hayek's disciples had deserted him. Nasar, however, applauds Schumpeter's passionate defence of capitalism and his belief that whatever the shortcomings of capitalism — financial crises, depressions, social strife — it will deliver the goods. Chapter 15 triumphantly portrays the rehabilitation of Hayek with his *The Road from Serfdom* but Hayek would prove an unreliable poster boy of the Right, making blasphemous statements such as that Keynes was 'the one really great man I ever knew, and for whom I had unbounded admiration' (p. 402).

Chapter 7 introduces Keynes at Versailles and he features as the dominant personality in chapters 9, 10, 12 and 14, often in tandem with Irving Fisher. The author clearly assigns an importance to Fisher such that if he does not eclipse Keynes he is certainly placed on the same exalted plateau. Benefactors again are important: 'Marshall is continually pestering me to turn professional Economist and writes flattering remarks on my papers' (p. 240) says Keynes and later Marshall personally financed an economics lectureship at Cambridge for Keynes

(p. 242). We learn that the fights were so bitter over the Versailles Treaty that at one point Woodrow Wilson had to intervene physically between Lloyd George and Clemenceau. A fascinating titbit was that Ho Chi Minh was washing dishes in the kitchen of the hotel where Keynes and the rest of the British delegation stayed. Chapter 9 covers Keynes and Fisher in the 1920s and American prosperity: 'In 1929, the economy was 40 percent bigger and per capita income 20 percent higher than in 1921 ... [which] inaugurated a new way of living. The modern era of the car, the suburban house, ... the telephone, daily newspapers ... refrigerators and fans and electric lighting, radio and movies, working women and smaller families ... and shopping centers' (p. 296). Irving Fisher's 'faith in the improvability of man and the limitless possibilities of science and free enterprise' (p. 298) was to be tested during the Great Depression discussed in Chapter 10. This is a wonderful chapter to assign to students, to compare with the contemporary global financial crisis. It also documents Fisher's 'public recrimination and ridicule' that 'added to the stress and humiliation of financial ruin' (p. 314). Chapters 12 and 16 look at the emergence of Keynesianism and comment that Friedman was 'one of the brightest young Keynesians in the Treasury ... [who] did more than most to make Keynesianism practically feasible in the United States ... [and] whose enthusiasm for the new Deal was real' (pp. 364–365). Chapter 16 deals with Paul Samuelson, including his unusual upbringing.

Chapter 11 tells us of the Webbs' tolerance of Mussolini and Hitler and adulation of the Soviet Union but it is also the opening skirmish of a biting and bitter portrayal of Joan Robinson. In this treatment Keynes is clearly differentiated from his 'Communist disciples Piero Sraffa, Joan Robinson and Richard Kahn' (p. 332) or the 'Marxo-Keynesian' Kaldor. Robinson was a formidable personality who told her husband he was an intellectual 'plow horse while Sraffa was a tiger, and she was willing to overlook Kahn's immaturity, narcissism, and dysfunction' (p. 347). Her 'infatuation' with Stalin and unconditional support for his regime in the 1940s and 1950s, and her 'blind spot' for China in 1950s and 1960s, are told in less than glowing terms in Chapter 17. Robinson is described as an 'intellectual Communist' (p. 341) who was one of the Communist bloc's 'trophy intellectuals, a demanding but rewarding role that involved yearly junkets ... a Moscow bank account, and a network of friends consisting ... of government apparatchiks, underground Communists, and spies' (p. 429). Her anti-Americanism was well known and Nasar notes her delusional behaviour that at one time required hospitalisation for six months. The venom in this portrayal is palpable and only matched by the bile inflicted on Marx. Chapter 18 is on Amartya Sen in Calcutta and Cambridge and ends on a happy note in that while most of his college friends were Stalinists, Sen was able to rid himself of the evil influence of Joan Robinson and instead championed the cause of economic freedom, basic human rights and capabilities, ethical behaviour and social justice.

So where does one come out on this fascinating and gossipy 'history'? It is delightfully written and we learn so much more about the fascinating private lives of these economists. It presents a heroic picture of how economics rescued humankind from squalor and deprivation, how 'genius' thinkers transformed the world for the better. However appealing such an account is — of progress

made on the shoulders of great men and women — it fails to appreciate the role of intellectual communities, rather than lone individuals, and vastly over-states the influence that academic economists have had on economic policy let alone world history. Academics are still arguing over the efficacy of fiscal activism during the Great Depression. The heroes and villains may make the book more appealing, and the omission of certain economists may make the story line less contentious, but it does not produce a balanced or dependable history.

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