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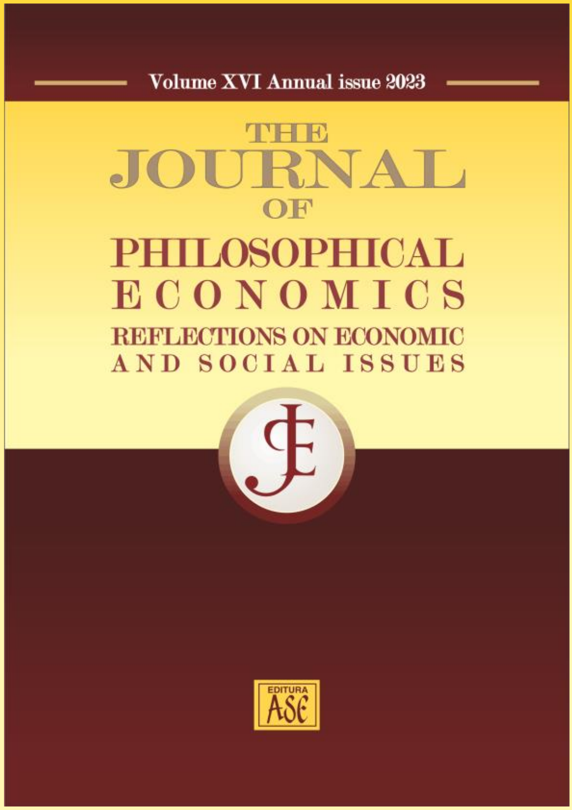

Review of Jon D. Erickson, *The Progress Illusion: Reclaiming Our Future from the Fairytale of Economics,* Washington, DC: Island Press, 2022, xx + 252 pp., hb, ISBN 978-1-64-283252-5

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EDITURA ASE

Review of Jon D. Erickson, *The Progress Illusion: Reclaiming Our Future from the Fairytale of Economics*, Washington, DC: Island Press, 2022, xx + 252 pp., hb, ISBN 978-1-64-283252-5

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The task of describing Professor Erickson's book is not simple. *Progress Illusion* is a combination of economic history, economic thought, autobiography, and revolutionary prose. In addition, the author uses a dynamic style and fresh language, which makes it accessible to readers who are not trained in economics (which is an audience that Professor Erickson targets).

The book begins with the tale of young Erickson going to college at Cornell, an Ivy League university. His father urges him to study economics and finish an MBA so he can get a job on Wall Street and make a lot of money. After all, as the author himself claimed, it was the 'year of the Gekko' [1] (p. 1). However, this worldview is tempered by the influence of his mother, who raised her children on a preschool teacher's salary. She helped her son develop a sense of social justice and get in contact with the natural world around him.

Cornell was also the place where the author met Professor Duane Chapman, who helped him obtain funding for his Ph.D. and encouraged his research interest. Erickson did not find his calling in mainstream economics since the models used were too abstract and the premises too unrealistic. Furthermore, economics was too deductive and not sufficiently inductive for the author's taste, i.e., it lacked relevant empirical support. So, Erickson found his main goal elsewhere: rebelling against mainstream economics. And rebel he did, most of his book (for better or worse) is a lambasting of mainstream economics.

Who was the root of all evil in the world? For Erickson, the answer is: economists. This is well summarised by the joke the author tells his readers in the book's preface, 'What do you call a thousand economists at the bottom of the ocean? A good start' (p. xvii). In his view, economists are arrogant, sexist, unhistorical, imperialist, racist, religious fundamentalists, and some (if not most) are corrupted by robber barons. Throughout the book, economists are guilty until proven innocent and nobody bothers with such a proof.

The author found ideological support for his rebellion in the *Occupy Wall Street Movement,* which came after the 2007-2009 global financial crisis. The protesters raised awareness of the increasing inequality in the United States, calling for social justice and 'real democracy'. This fight against the establishment (which is more or less equivalent to crony capitalism) echoed in the author's conscience.

After rebelling against the mainstream, the author decided he wanted to become an ecological economist. *Ecological economics* is different from *environmental economics*. The latter focuses on market failures and ways to correct them, greatly drawing on the works of A. C. Pigou and R. Coase. On the other hand, ecological economics attempts to part with the traditional market way of thinking altogether. Professor Erickson talks about the birth of this discipline in the 1980s and 1990s and the people that played a relevant role in the movement, such as Herman Daly and his mentor, Nicholas Georgescu-Roegen. Ecological economics also would work with different premises, one of the most important being that the world is finite, and thus economic growth cannot be infinite. At a certain point in time, everything becomes a zero-sum game, and an improvement for the poor can only come at the expense of a decrease in wealth for the rich. Regarding sources of inspiration from political economists, the author quite predictably cites Henry George and, somewhat surprisingly, J. M. Keynes [2].

Chapter 5 *A New Story* is particularly relevant in the opinion of the present reader because it presents some specific points of disagreement with mainstream views. Although, as mentioned above, most of the book is a criticism of mainstream economic, most of it is generic criticism. Erickson argues in Chapter 5 that GDP is not a relevant indicator of human wellbeing. After all, there are a lot of relevant non-monetary aspects of life which are not reflected in this aggregate macroeconomic indicator, such as leisure, spending time with your children, or hours of voluntary work. The opposite is also true, many of the things that we would usually label as bad, *are* reflected in GDP. Just look at the following paragraph (p. 143):

> […] Or consider the regrettable expenditures counted as benefits in the all-dollars-are-created-equal GDP accounts. Public spending on military, disasters, and crime all boost GDP. But is a nation better off in a perpetual state of war, in constant repair from hurricanes and wildfires, or in spending more on prisons than schools? Private spending on divorce lawyers, medical bills for preventable diseases, and cement walls around gated communities also contribute to GDP. By these measures, the United States is exceedingly well off. But are Americans happier or healthier with the highest military spending, most incarcerated citizens, and the highest number of single parents in the world?

The author also raises here another relevant question: Is growth not subject to diminishing marginal returns? At what point does growth become uneconomical? In that case, perpetual economic growth cannot be the universal solution for all problems. There must be a level when the positive individual gain from more growth will be less than the non-monetary cost of spending time with your family or, why not, caring for the environment. If this is the case, larger is certainly not always better.

Erickson also attempts to debunk the idea that new, more efficient technology will solve the pollution problem. The author is sceptical regarding this alleged *panacea* and brings into discussion the *Jevons paradox* (p. 138). It is true that growth generates more capital to invest in new technology, which in turn increases efficiency at the margin. In other words, with the same unit of input, you get more output, which means that the same production is using less resources. But the problem raised by the author is that being marginally more efficient can lead to an increase in the environmental impact in the aggregate. In the words of the author: '*Humanity has become more efficient in mining for minerals. So we mine more minerals. We are more efficient at burning fossil fuels, so we burn more fossil fuels*' (p. 138). Chapter 5 really challenges some of the reader's beliefs about the workings of the market economy.

Chapter 6 follows with a strong headline: *A New Economics*, but somehow it fails to deliver. After reading the book, the reader is nowhere close to finding out what that new economics looks like. Professor Erickson does, however, mention that borderline disciplines (such as sociobiology or neurosciences would be extremely relevant). He also urges economics to pass the consilience test: i.e. to prove that the theory in economics is consistent with theory in other sciences.

The final chapter of the book was the most relevant in my opinion because after reading numerous pages of criticism directed towards orthodox economics, the reader is quite curious what Professor Erickson's suggestions would be to improve the situation from a pragmatical point of view. The answer is somewhat predictable. The policy prescription for the US is good old-fashioned heavy interventionism. This includes progressive taxation, increasing pollution taxes, breaking up monopolies [3] and more government regulations. Not surprisingly, Professor Erickson makes references to the Scandinavian states and the Nordic model (pp. 178-179).

The book has positive sides to it. It underlines the importance on non-monetary aspects of life and shows the dangers of putting a monetary price on everything, from human life to the value of planet Earth. Material progress should not be the only (and maybe not even the main) goal of man. As an economist trained in heterodox economics, I fully understand the author's frustration with the shortcomings of mainstream economics. However, discarding all of the neoclassical research project would be throwing the baby out with the bathwater. Most of Professor Erickson's critics are generic and unfortunately are more or less directed towards strawman arguments. Although the book is new, the narrative is rather old and the text is heavily ideologically biased. For instance, in approximately 200 pages no reference regarding the negative consequences of state intervention can be found. Even assuming market failures are considerable in an economy, is government failure so irrelevant or improbable that it is not worth discussing at all? I fully agree with the author that (p. 189) 'yes, the world needs yet another book about economics', but I cannot stop feeling sceptical that this is how it should look like.

Endnotes

[1] Reference is made to the fictional character Gordon Gekko from the 1987 movie Wall Street. He is remembered for his most memorable quotes, among which the infamous 'greed is good'.

[2] I say surprisingly, as I am at a loss to see why Keynes was so important for Professor Erickson's exposition. Other than the fact that Keynes was an interventionist who considered that markets should not be left unchecked, I am skeptical that the British economist would have many points in common with the author of this book. In addition, Keynes' main contributions to economic theory were in the field of monetary macroeconomics, a domain that I found little reference in the text. Despite all this, Keynes's name appears in the book 108 times, greatly surpassing even the founders of ecological economics.

[3] It is interesting to point out that although the author generally exhibits contempt regarding the perfect competition model, as far as antitrust policies go, he has no problem in referencing the model (p. 176).

Conflict of Interest Statement

The author declares that there is no conflict of interest.

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