

Grand Pursuit: The Story of Economic Genius, Sylvia Nasar. Simon & Schuster, New York, NY (USA) (2011). ISBN 978-0-684-87298-8. xv + 558 pp., \$35.

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Reading this book against the backdrop of depressing news on the economy, I feel that we are in the middle of great economic turbulence. There is plenty of good reason for this feeling to be found in the news, but it is also a testament to Sylvia Nasar's vivid description of economic calamities, such as the economic strangulation of the defeated side after WW I as well as the Great Depression. I read *Grand Pursuit* now and think "here we go again." I see Joseph Schumpeter in the faces of the technocratic caretaker prime ministers sprouting in Europe. Schumpeter ran from one meeting to another in unheated palaces, trying to save defeated, shrunk, starving Austria's economy as its minister of finance in 1919. Surely today's technocrats are not eager to do what they are called upon to do, although at least the marble-floored corridors and offices they ply their trade in are, as far as I know, not unheated, and the populations they are supposed to serve are not yet starving. Let's hope the present economic crisis will not give a future author the opportunity to title a chapter "The Last Days of Mankind", the start of a chapter title in *Grand Pursuit* that relates the events of 1919.

Is this the main point of this book, to give us an economic history, made appealing by Nasar's great story-telling skill? This it does, focusing mainly on the years from the 1840s to the 1950s. Yet it claims to be about "economic genius" and presents, in between an overabundance of human interest stories, a basic, albeit incomplete, history of economic ideas, the ideas of the "geniuses" that have propelled "the study of people in the ordinary business of life", to use the words of one of these geniuses, Alfred Marshall.

The narrative arc of the book slopes upwards, giving the unmistakable impression of progress. We first encounter economists in the early 1800s not knowing that economic conditions were amenable to purposeful economic policy action, but look how far we've gotten once the geniuses realized that humanity is not helpless in the face of scarcity!

The book starts with Charles Dickens's *A Christmas Carol*, with its depiction of the harsh economic realities of the 1840s for all but the rich in England. Malthusian ideas at the time prevent those who think about the economy from realizing that economic progress is possible. Into the breach step Engels and Marx with their condemnation of capitalism, which in the case of Marx proceeds in part from his splendid isolation from economic facts. Marshall enters the pages to accompany Dickens again, this time *Great Expectations*. Marshall has the good sense to combine a good analytical mind with evidence-gathering, so he builds a better theoretical foundation for economics than Marx (or indeed Adam Smith and David Ricardo).

Next chapter we meet Beatrice Webb, in pages written much like a soap opera script. Swimming well in the high-society currents of London, Webb and her husband Sidney start what may have been the very first think tank, the *New Statesman* newspaper, and the *London School of Economics*. Here and elsewhere we see Nasar trying hard to humanize her protagonists, a laudable goal but one not entirely consistent with the "economic genius" part of the book's subtitle. Evidence for this is how much Nasar has to say about love affairs and personal tragedies, rather than contributions to economics.

From the Webbs, the Fabians, and the London School of Economics, we jump to the other side of the pond, where Irving Fisher is heroically putting the US on a higher level of accomplishment in economics and is modeling the interdependence of all economic variables, going as far as to build a hydraulic model of the economy, later sadly lost to posterity.

The most emotionally intense part of the book comes next, in several chapters that discuss the lives and work of Schumpeter, Hayek, and Keynes, with

reappearances by Fisher, over the cacophonous background of a world gone mad, with the Treaty of Versailles followed soon by the Great Depression which then leads to World War II. Schumpeter rides horses, charms ladies, faces personal tragedies but also has some fun times in Egypt and gets to run a bank or two, in the meantime formulating his theory of economic development as creative destruction. Hayek has two random meetings with his famous cousin Ludwig Wittgenstein framed by WW I, and realizes the importance of prices set in competitive markets as essential carriers of information, a deep insight that proves the insuperable difficulty faced by communism. Keynes amasses, loses, and then amasses a fortune again, for himself and his Cambridge college, has love affairs with intellectually sophisticated men but marries a less sophisticated Russian ballerina, rails ineffectually against the Treaty of Versailles, and writes his *General Theory of Employment, Interest, and Money* in the middle of the Great Depression. There, foreshadowing the current crisis and still relevant after all these years, Keynes tries to explain how a serious economic slump can persist and proposes that the cause is deficient demand, driven by a liquidity trap, in which nobody wants to borrow for new investment until the slump is over, which only prolongs the slump. (There is no room in this review to give more than this caricature of Keynes's most important book.)

We move on to the dalliance of Beatrice Webb and Joan Robinson with communism, in pages eager to name communist sympathizers and spies. We catch a glimpse of the work of economists in government during WW II, with economic planning and price-setting by fiat in the US, while Keynes is trying to negotiate a good deal for the large loan that Great Britain is obliged to get from the US to finance the war.

After the war, Keynes, his heart failing, is working hard to help create a new international finance system at Bretton Woods. Paul Samuelson deals with maternal abandonment issues by going to Harvard, where Schumpeter, one of his dissertation advisors, purportedly turns to another advisor after Samuelson's oral defense to inquire "well, ... have *we* passed?" Samuelson uses his

mathematical training to put all of economic theory on secure mathematical foundations. His book *Foundations* makes a splash when it is published. Samuelson concocts the neoclassical synthesis, which incorporates ideas inspired by Keynes into a general framework for all of economic analysis. Samuelson's basic economics textbook starts a remarkable publishing career of more than a dozen editions, while its author advises such political luminaries as JFK.

The last episode in the saga tells the story of Amartya Sen, one of the deepest thinkers in economics today. Once again we are regaled with stories of hardship overcome and amours happy and sad, before we get to the economics. One of the hardships witnessed by young Sen does matter for his desire to use economic analysis to improve how people live: the Bengal famine of 1943. It profoundly shaped his thinking, so even at its most mathematical, it always aims to better understand personal and social welfare and how it can be increased.

I mentioned that the book's coverage of economics is incomplete. The first gap occurs even before the book starts. There is hardly any serious coverage of the ideas of Adam Smith and David Ricardo; they play cameo roles to leading actors such as Karl Marx and Alfred Marshall. Later on, I wanted to see more discussion of Arrow and the foundations of social choice theory, game theory, information economics and mechanism design, and at least an acknowledgment of the recent revolutions in economics, occurring under the banners of experimental economics, neuroeconomics, and economics that takes psychology seriously (also known by the infelicitous term "behavioral economics").

All in all, *Grand Pursuit* is an enjoyable book that gives an eloquent treatment of economic history from 1840 to 1950 and weaves into it the lives of some economists and some of their ideas. For a more thorough, but eminently readable, treatment of the history of economic *ideas* I would recommend Agnar Sandmo (2011) instead, just as reviewers like Robert Solow (2011) and Orley Ashenfelter (2011) have done. *Grand Pursuit* falls short at the task of explaining the intellectual development of economics; it tilts the trade-off too much towards

human interest and too far away from economic ideas. Perhaps a good movie can yet come out of it, as it did out of Nasar's best-selling *A Beautiful Mind*.

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