
Book Review

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Foundations of Real-World Economics

John Komlos

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John Komlos's book, *Foundations of Real-World Economics*, provides an abundance of empirical evidence refuting established economic theory. He argues for a new 'Humanistic Economics' to guide policy going forward. Some of this criticism of the discipline of economics is not new; however, the significant contribution of this book is the treasure trove of empirical evidence with associated citations. I would encourage faculty in economics departments to include this as required reading in introductory economics courses – it could prevent many folks from dropping your economics classes (I have many an anecdote from folks who found intro economics courses to be ridiculous for many of the reasons Komlos points out). Komlos' book is a criticism of economics as it is currently practiced. However, it is useful to take a historical perspective and see how academic economics has become interwoven with capitalism and capitalism has been inappropriately conflated with democracy.

There is a long history of criticism of capitalism dating back at least to Karl Marx. These critiques gave rise to a variety of socialist and communist movements seeking to challenge or replace capitalism. Despite these critiques, capitalism thrived and was remarkably successful in driving economic growth and innovation. Nonetheless, the failures of capitalism, particularly as exemplified by neoliberal flavoured capitalism, are becoming more glaring. Early criticism, and more recent criticism based on environmental issues (e.g., Limits to Growth, Climate Change, Land Degradation, and Loss of Biodiversity) have garnered increasing support.

A plethora of recent books lamenting the failures of capitalism, neoclassical economics, and neoliberalism are now being written. A few of these include Thomas Piketty's 'Capital in the 21st century', Reinhart and Rogoff's 'This Time Is Different: Eight Centuries of Financial Folly', Tom Bergin's 'Free Lunch Thinking: How Economics Ruins the Economy', George F. Demartino's 'The Tragic Science: how economists cause harm (even as they aspire to do good)', and Naomi Oreskes and Erik Conway's 'The Big Myth: How American business taught us to loathe government and love the free market'. Some of these books regard academic economists as merely mis-guided but honourable scholars clinging to a flawed paradigm (e.g., George F. Demartino) while others suggest that the academic discipline of economics is

consciously being used to rationalise and justify a system of oppression (e.g., Lorenzo Fioramonti's 'Gross Domestic Problem').

Komlos is perhaps too kind to those trained in the discipline of economics in his regarding them as in a state of paradigm paralysis. Another explanation is that the academic discipline of economics has been used as a propaganda/rhetorical tool to promote a neoliberal agenda that concentrates and sustains wealth for those who have enjoyed 'previous accumulation'. This view suggests that academic economists are witting accomplices more akin to paid snake oil salesmen (they are mostly men) or false prophets of a bogus religion designed to exploit the masses. A wizard of Oz analogy comes to mind: '*Pay no attention to the economist differentiating the Cobb-Douglas function to justify inequality, poverty, and ecological destruction*'.

Komlos makes an excellent case for a 'Humanistic Economics'. The argument for something akin to 'Humanistic Economists' has been made before by many others including the likes of Herman Daly (ecological economics), Jason Hickel (Degrowth), Lorenzo Fioramonti (Wellbeing Economy), Kate Raworth (Doughnut Economics), and Hunter Lovins et al (A Finer Future: Creating an economy in service to life). Komlos provides an excellent service in his book by getting very explicit about the differences between most of these alternatives (e.g., humanistic economics, wellbeing economics, ecological economics) to mainstream economics (Table 1 from page 4 of the Komlos text).

		Humanistic Economics	Mainstream Economics
1	Start of Analysis	Evidence	Axioms
2	Begins with	Children	Adults
3	Logic Used	Inductive	Deductive
4	Sister Disciplines	Included	Excluded
5	Human Psychology	Behavioral	Rational
6	Mathematics	Minimal	Extensive
7	Markets	Just	Free
8	Government's role	Substantial	Minimal
9	Pain/Stress	Minimize	Omitted
10	Utility Function	Interdependent	Independent
11	Goal	Quality of Life	Consumption
12	Distribution	Important	Unimportant
13	Basic Needs	Paramount	Omitted
14	Relative Income	Important	Omitted
15	Opportunity	De facto	De Jure
16	Power	Important	Omitted
16	Species	Homo Sapiens	Homo oeconomicus

The interesting historical question to ask is: How did we arrive here in a world dominated by a neoliberal philosophy grounded in economic theory that is unequivocally flawed yet supported by academics and think tanks alike? It is abundantly evident that free market fundamentalism is failing us ecologically, economically, socially, and politically.

Free markets do not clean up oil spills, address climate change, or create public goods like libraries, lighthouses, and weather satellites. Addressing market failures such as the provision of public goods, preventing/regulating monopolies, and protecting common pool resources (e.g., fisheries) have long been recognised as the appropriate remit of

government. Sadly, we are experiencing dangerous levels government failure in these areas. Governments fail when they become wholly or partially owned subsidiaries of inordinately wealthy individuals and corporations. How has this happened? This has happened from the conflation of an economic system (capitalism) with a system of governance (democracy) that is tragically unworkable. Neoliberalism is the cause of this tragedy.

Neoliberal ideology is bad mythology framed as economic science. The rise of neoliberalism has been promoted by a propaganda campaign that paved the way for the social, economic, ecological, and political ‘polycrisis’ we are now faced with. The academic discipline of economics that was used to promote neoliberalism embraces a flawed worldview loaded with false assumptions that is built on theories that fail to be corroborated by real world empirical evidence. Komlos exposes this in spades. Economic theory has faced several failed assumptions and discrepancies that have challenged its efficacy, legitimacy, and relevance.

A growing number of scholars (some of them even winning Nobel Prizes in Economics – e.g., Daniel Kahnemann) are lamenting the failed world view of economics and its negative consequences for civil society and the environment. Worldviews have crises and most evolve in a positive way as a result of these crises. In astronomy the Copernican revolution that placed the sun at the centre of the universe rather than the earth was a challenge to world views that changed the way we see ourselves in the cosmos. Copernicus was a ‘radical’ astronomer. Physics has experienced revolutions as well. Einstein’s relativity was a profound departure from Newtonian physics as was the development of quantum mechanics. Einstein, Schrodinger, Bohr, Dirac, and many others were ‘radical’ physicists. Physics and astronomy have nonetheless survived as academic disciplines despite these crises. Economics is currently in a crisis that needs some ‘radical’ economists. John Komlos is one.

A wellbeing economy (or Komlos’ ‘Humanistic Economics’) recognises that the economy is embedded in society and the rest of nature, and that true freedom and success depend on creating a world where we all prosper and flourish. To achieve a wellbeing economy, a major transformation of our world view, society, and economy is needed. Komlos’ ‘Introduction to Real-World Economics’ provides tons of evidence as to why business as usual is not ok and disruption of the status quo, in some form, is necessary. This is a formidable challenge to which we might recall Che Guevara’s slogan ‘*Be Realistic, Demand the Impossible*’. Komlos book helps makes the impossible seem possible.