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Lawrence H. White, *The Clash of Economic Ideas: The Great Policy Debates and Experiments of the Last Hundred Years* (New York: Cambridge University Press, 2012), pp. 428, \$45 paperback. ISBN 978-1-107-62133-6.

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When Paul Krugman paints John Maynard Keynes as a pioneering critic of dominant free-market economics, he exaggerates wildly, both about the rigidity of orthodoxy and about the pioneering character of Keynes' critique. So says Larry White, and, speaking as a sometime historian of economic thought, I am inclined to agree. And yet, White himself goes on to paint his own picture of Manichean struggle between advocates of capitalism versus socialism, free markets versus government planning, spontaneous order versus deliberate design, and the Mont Pelerin Society versus the Fabian Society. It is a struggle epitomized for him by the clash between Hayek and Keynes, and he is always rooting for Hayek, as well as for Hayek's adoptive ancestry of Carl Menger and Adam Smith. White's account is the mirror image of Krugman's, exaggerated in the opposite direction.

Indeed, the best that White can bring himself to say in Keynes' favor is that Keynes, along with his Fabian fellow-travelers, was possibly just an unwitting dupe of the real enemy of freedom: Vladimir Ilyich Lenin. The worst that he is willing to hint is that Keynes may himself have been one of those enemies of freedom whose skill in wielding political power allow them to get ahead in a system where political power controls everything (pp. 166, 277). For White, following Hayek, *The Road to Serfdom* is a veritable sheet of ice, a slippery slope that can easily sweep the unwitting fellow-traveler off his feet and land him in servitude. Luckily, England pulled back from the edge in time, but other countries were not so fortunate. India's experience with central planning is an object lesson to all others who might be so tempted; Germany's miraculous post-war recovery is a lesson on the other side.

The book recounts, as its subtitle announces, *The Great Policy Debates and Experiments of the Last Hundred Years*. They are listed in the first sentence of the Introduction:

the adoption of central banking in the United States and elsewhere; command economies during the First World War; communist central planning in the Soviet Union, Eastern Europe, and China; fascism in Mussolini's Italy; National Socialism in Hitler's Germany; the New Deal in Roosevelt's United States; the Bretton Woods international monetary

system and the adoption of Keynesian macroeconomic policies after the Second World War; major nationalizations in postwar Great Britain; the reemergence of free-market principles in postwar Germany; Soviet-style Five-Year Plans in India; the final abandonment of gold in favor of a system of fluctuating exchange rates among unanchored government fiat monies; regulation and deregulation and reregulation around the globe; the collapse and repudiation of communism in Russia and Eastern Europe; market-led growth policies in the East Asian “tigers” and then in China and India; “neoliberal” policies promoting the globalization of economic activities.

Whew!

Let it be stipulated that the book covers a lot of territory, and also that it is a rip-roaring read. My main concern is with the way that essentially every one of the debates and experiments is read through the very same constricting lens. All are viewed as variations on the long-ago Socialist Calculation Debate between Oscar Lange and Ludwig von Mises. Can a planned economy even work, much less outperform a free market economy? According to White, the answer is clear. Lange was wrong and Mises was right. But powerful forces resisted the truth, so the matter unfortunately did not end there. Instead, it has been playing out on the world stage ever since.

The economics profession, in particular, has been part of the problem, since it followed Lange in embracing a Walrasian conception of the economy as a set of simultaneous demand-and-supply equations, with the market-clearing set of relative prices as the solution. White doesn't like this Walrasian conception of the economy for Hayekian reasons, having to do with information and time. Personally, I don't like it for Frank Hahn reasons—it has no place in it for money. But either way, the important historical fact is that this way of thinking about economics rose to become dominant, pushing White's favored Austrian tradition into the background, as also my own favored Money View tradition.

When I agreed to review this book, I imagined that White and I might have our own clash of ideas on the subject of money, since he is an advocate of free banking, including competitive note issue. I imagined I would raise the question whether we can usefully view the shadow banking system as an example of competitive note issue. But, unfortunately, he doesn't say very much about money in the book. There are only two money chapters, one on Bretton Woods (focused on Keynes) and one on post-war inflation (focused on Milton Friedman). Nevertheless, it is pretty clear that he views central banking through the same constricting lens as everything else—it is just another example of government stepping in to do what free markets do better; in this case, by taking over the private bankers' clearinghouses that predated modern central banks.

Krugman serves White as a kind of stalking horse, probably in the hope that Krugman will attack the book and so sell more copies! But, for my purposes, Krugman is interesting for a different reason: as a concrete example of how different American Keynesianism was from the economics of Keynes. Indeed, the Keynesian economics that White reviews in Chapter 5 is more the economics of Krugman than it is the economics of Keynes himself. White correctly traces it back to Samuelson and even farther to Alvin Hansen, whom he characterizes as nothing more than a popularizer of Keynes. That's the standard view, but as a sometime biographer of Hansen, I have to take issue.

Maybe I make things worse for Hansen by saying so, but I must insist that Hansen be understood fundamentally as an American institutionalist, much like most of those who made Roosevelt's New Deal. For White, that makes things worse because he sees the American institutionalists—Richard T. Ely, John R. Commons, and their students—as successors to the German historical school, the Marx-influenced “socialists of the chair” who supported Hitler and fascism. For White, as for Hayek, the important thing about Hitler's national socialism is that it was socialism; behind Hitler (and Mussolini too) stands Lenin. The American institutionalists are, just like the British Fabian society, fatally tainted by the intellectual company they keep.

It's a nice Hollywood story, perhaps, but, as history, it leaves a bit to be desired. The American institutionalists were just as much rejecting Marx and the classical economics tradition as they were rejecting Marshall and the neoclassical tradition. For better or worse, they saw *both* traditions as products of class-ridden, tired, old Europe, not applicable to the New World. For them, government was not the agent of the oppressive king or ruling elite, but rather the collectivity of town fathers gathering together to solve common problems. Europeans—including both Keynes and Hayek, and also their followers—typically found it difficult to understand what these Americans were up to, and also tended to view them as intellectually inferior. But the Americans were up to something, and it wasn't fascism or socialism; it was democratic self-government.

The lens of the socialist calculation debate of yesteryear not only constricts but also systematically distorts our view of historical policy debate, especially in the United States. In these days of polarized political debate, historians of economic thought need to resist the temptation to add fuel to the fire. Though it may sell fewer books to say so, the clash of economic ideas is fundamentally not a battle between defenders of freedom on the one side and enemies of freedom on the other. White and I do not agree on money, but I think that he and I both are defenders of freedom. Much the same could be said of the protagonists, on both sides, of the other great policy debates and experiments that White recounts, and the substance of those debates is more obscured than illuminated by imposing a Manichean frame of good versus evil.

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Mark Valeri, *Heavenly Merchandize: How Religion Shaped Commerce in Puritan America* (Princeton and Oxford: Princeton University Press, 2010), pp. 360, \$39.95. ISBN 978-0691143590.

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Heavenly Merchandize is essential reading for anyone who hopes to understand the evolution of moral teaching about markets in early American history. For 150 years before the War of Independence, the American colonies in New England struggled to grow economically while remaining true to their Protestant Puritan moorings, even as the intellectual and political landscape was constantly shifting. Tracing out the complexities of this journey is, at times, tedious, with scores of preachers and merchants referenced,