

Book Review

Kaushik Basu. *Beyond the Invisible Hand: Groundwork for a New Economics.* Princeton, USA: Princeton University Press. 2010. 312 pages. US\$ 39.95.

Kaushik Basu's "Beyond Invisible Hand" is an illustration of critique on perceived complexities and muddled outcome of Smith's free market ideology and mainstream economics. The book starts by comparing rules, rights and regulations in early times with the present one, where innovation has changed the dynamics of living standards but market and economic atrocities are more and less the same. Markets remain in function to provide goods and services but "market tactics" have created a divide between people so much that it was never thought of in ancient times. The economic and social status of the poor remains stagnant while the rich collect every penny from the market system. Those who have taken advantage of the system, support to keep the system well-oiled and humming. Opponents of the market system have little to present and have not been able to design a mechanism to replace the market system, nonetheless rampages and marching mobs are the anecdotal evidence of those getting nothing or a meagre portion from current world economic order. Today's economic and social process is not what it ought to be; it is more venal than what is being suggested in the economics textbooks.

The philosophy of "self-interest will lead to society's benefit" is the basic content for criticism in the book. Individual reaction is not always the result of selfishness but public interest could also be one's prime objective. Smith's ideology was not what it has evidently become over time, so Basu denotes it a "myth". According to him, conservative thinkers and followers of the mainstream economics have misinterpreted Smith's ideology. This portrayal has hampered our knowledge to understand the functioning, failures and injustices of current economic system.

The book utilises logical reasoning, real-world examples and introspection to familiarise the reader with functioning of the market economy and develop a viewpoint to go beyond the traditional "invisible hand" approach. The introductory chapter of the book is devoted to develop basic understanding of Smith's ideology of "invisible hand" and to show how it has been misinterpreted. The author argues that the theorem is a mathematical "truism" and has no normative perspective. Selfishness, as per the author, can take the individuals beyond their budget limit. It may also lead them to abuse and steal. Further, selfishness may make the individuals love their neighbours or hate them or may turn opportunity of others in their own favour. Such selfish behaviour will result in sub-optimal outcome rather than optimal behaviour. There is, therefore, a need to restate Smith's invisible hand theorem with amendments and restrictions that need to be put on individual choice. Market is a place where "exchange of favours" game is played and basic theme of free market ideology no longer exists.

The book views the basic axiom of choice of transitivity, vector dominance, and endogeneity of preferences through a new lens to explore the vacuum left in the sophisticated models for existence of multiple equilibrium and government intervention. A number of examples are given to argue that markets, contracts and even the whole social order are built in a way to tolerate discrimination and subsequent poverty and inequality. Thus, government intervention in relieving the terrible impacts of the invisible hand is necessary. According to Basu, the contents of mainstream economics are devoid of beliefs, social norms and culture. In reality, however, the world economy has changed drastically over time and social norms, laws and culture have changed the dynamics of economic analysis, especially for rapid growth and functioning of economy. Foundation of every system is laid on norms, beliefs and culture and for this reason, the centre of attention should be diverted towards structure of norms and institutions to mould the individual behaviour in line with the needs of the society. Author argues that ignorance about norms, behaviour and beliefs is one of the loopholes in mainstream economics textbooks and significant amount of research needs to be carried out for better understanding of the economic system. According to the author norms and behaviours effect economic efficiency and development process and are denoted as "crucial ingredients" for the economic process in the book. Social norms work as binding constraint on members of society like poorly implemented laws can hinder development and harmony of society, as do the unfriendly social norms, argues Basu.

The critique on the market mechanism and mutation of Smith's ideology is supplemented with the tools of mainstream economics, which may discomfort readers a little. Regardless of this, "Beyond Invisible Hand" is a good piece of writing, which persuades readers to tap the hidden dilemmas of the free market and broaden the vision of the market divide beyond the inequality and poverty debate. It opens new door and offers glimpse into hidden myths, complexities and atrocities of market system while the question of possible solution is left for experts of the field.

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