

## **Exploring Real-Life Economics**

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Kurien, C. T. (2018), *Economics of Real Life: A New Exposition*, Academic Foundation, New Delhi, 249 pages, Rs 995.

Professor C. T. Kurien is a unique thinker in the field of economics and economic philosophy. Over decades, he has written with gifted grace on intricate issues of economic theory and practice. This book is, I believe, a monumental work, and one that marks an important milestone. Professor Kurien's canvas is far wider than, say, that of the Nobel Prize winners Abhijit Banerjee and Esther Duflo, whose book *Poor Economics* provided one perspective on poverty alleviation. This book is not confined to the myopic; it stimulates new thinking in teaching as also research in the discipline of economics.

The book deals with "real-life economics," neither pursuing the path set by over-mathematicised technical books nor that of empirical field research based on fragile theory. It is written in captivating style, one that I expect will make a younger audience want to understand economics in its real form.

Early in the book, Professor Kurien writes that "economics now has the status of a mathematically oriented 'hard' science: there are also many textbooks exposing in simpler terms what it is all about" (p. 9). In trying to align economics closer to the natural sciences and mathematics, economists often overlook real-life issues. Professor Kurien, with his authority and rich experience, places before us the central focus of economics, namely economic reality.

Economics must deal with day-to-day issues of livelihood, and progress towards understanding policy (and statecraft) within specific social contexts. Professor Kurien underscores the social science aspect of the discipline of economics when he states that

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economics is not merely a mental exercise of logical and mathematical derivations, but is so closely related to the lives of human beings that it is unavoidably a policy oriented discipline. (p. 17)

In pursuit of economic fundamentalism and an over-mathematical treatment of real-life issues, economists often sideline or ignore linkages with the other social sciences. It must be underscored that when an economist studies livelihood issues, she must incorporate learning from the other social sciences as well. Professor Kurien treats the economy as well as the discipline of economics as evolving entities. One of the objectives of his book is to help students and researchers enhance their understanding of the complex and dynamic discipline of economics.

The complexity of economics derives from the many real-life issues of society that it confronts. These issues often receive scant attention in classrooms. Many teachers of economics overlook the fact that human beings are the main actors in systems of production and transactions of goods and services. The study of real-life economics, therefore, requires an approach with strong logical connectivity, and not just mathematical constructs. For example, two books usually prescribed for studying microeconomics are John Hicks' *Value and Capital* and Milton Friedman's *Price Theory*. Neither book answers satisfactorily a basic question that young students may ask: "Are price and value synonymous?"

Professor Kurien was trained in Stanford University, one of the greatest schools of neoclassical economics in the world. Here, he "came to appreciate the logical coherence and mathematical rigour" of neoclassical economics. Nevertheless, right from his days as a PhD student, it seems to have been intrinsic to his thinking on and approach to the study of economics to challenge established tenets and propose new and out-of-the-box ideas. His thesis was on the problem of surplus labour. In response to established neoclassical theory, Kurien insisted that

labour would have an "existence price" (a claim on resources for existence or survival) but that it would not find expression as a market price, but as the joint utilisation of labour with non-labour resources, which in turn would appear as "self-employment" a noted characteristic of economies allegedly having "surplus labour." (p. 10)

Similarly, his earlier books – *Wealth and Ill-Fare* and *Theoretical Approach to the Indian Economy*, for example – are outstanding for their originality of analysis (Kurien 2012; Kurien 1970). They are sheer pleasure for those who want to go beyond the set frames of economics textbooks and into new fields of analysis.

The book under review has three parts and 16 chapters. The first nine chapters in Part 1 describe the role of participants such as households, banks, production units, and "institutions that facilitate their activities, particularly markets" in economics (p. 25). In Part 2, chapters 10 to 12, Kurien discusses the national economy, its growth, and links to the global economy. In chapters 13 and 14 in Part 3, he turns

to the evolution of the Indian economy and economic policy over the last seven decades.

Part 1 of the book describes products and their distribution across the household, which is the social unit for analysis. Kurien uses four analytical concepts to highlight the role of information, which is essential for the functioning of any economy. The concepts that determine information flow are: authority, ownership, intermediaries, and asymmetry in information. One of the central features of economics taught in the classroom is exchange and medium of exchange. Most economists and textbooks are satisfied with money or resources being the medium of exchange. Rarely do we hear anyone speak of the significance of "social power" or "social hierarchy" in the process of pricing. Also, in the real world, traders and middlemen assume a role that is more important than that of producers or owners of goods and services in the process of exchange, but they are rarely discussed in textbooks.

In all economic activity, availability of information is critical. "More information is readily available, [but] a large part of it [is] put out by vested interests such as the promoters of goods and services on sale" (p. 86). Kurien argues that "producers are not responding primarily to consumer preferences or needs" (the idea that the consumer is sovereign) but to "their resource power" (p. 84). Thus, "profit-seeking producers will direct resources to where the returns are likely to be the highest" (p. 85). Professor Kurien underscores the significance of ownership of resources, and how purchasing power signals the market about what to produce and how much to produce, which in turn determines the livelihoods of many and facilitates a few to make wealth.

The debate on modes of production misses this point about the ownership and dissemination (hoarding) of information that characterise economic systems. Capitalistic or socialistic modes of production and different forms of transactions originate from, and can be explained only after understanding, the hierarchies of "powerhouses" and "powerlessness." Power here is the aggregate of social, political, and economic hierarchies that mutually strengthen one another.

In the chapter on money, banking, and finance, the author writes about the evolution of money, and the role of banks, credit, credit cards, and central banking, always keeping real-life developments at the centre. The advancement in transactions as a result of the digital revolution comes with its own issues and problems. Also, in the recent past, new collateralised debt obligations have caused a significant dent in the credibility of banking institutions. "New players . . . have large funds at their disposal . . . and more than what banks offer" (p. 99).

Students of economics are introduced to the role of the state only in Marxian economics, economic systems, or public finance, and the role of the state comes in incidentally in the teaching of macroeconomics. Professor Kurien argues that Adam

Smith's representation of the basic functions of the state remains valid even today, even though the concept of the state has undergone changes since then. The dual role of the state, as he identifies it, is that "it is an integral part of the economy, and yet, being apart from it and above it, exercising control over it" (p. 104). This is reflected in the fact that the role of the state is very different in capitalist and socialist societies.

An innovative exposition of the numerous links and interactions between various primary units (households, traders, etc.) in the real economy is sketched in tabular form, in what he terms "a micro-global profile of the economy" (p. 117).

Part 1 of the book also deals with participants in the economy, and their activities and interactions through various institutions. Professor Kurien argues that the complex reality involved must be understood from the point of view of the actors in the economy. It also deals with implications for basic livelihood issues.

Part 2 of the book explains the evolution of an economy in terms of its aggregates - income, consumption, and savings. One of the issues highlighted by the author pertains to the measurement of national income. He asks:

[H]ow does one ensure that all that has been produced has been traced and valued? If all production were for sale and if it could be assumed that the market valued everything correctly, it would then be a fairly accurate estimate of the national income. But there are two big "ifs" that are unlikely to be realised, especially in economies such as ours where there are many production units who directly consume all that they produce (small farmers, for instance). (p. 133)

This brings much of what is taught on National Accounting Statistics and computations of GDP to centre-stage. Even though output includes services rendered, estimating the value of certain services is neither easy nor feasible. "The most glaring example is of the services rendered by women, who . . . are categorised as 'homemakers'" (p. 133). Hence, some imaginary numbers are possibly plugged in to complete the system requirements. Another problem is that only a portion of the output that is produced is marketed, and the rest is either consumed or retained. Another issue is the prices at which these latter products and services are valued. Most economists know, but do not appreciate, the fragile nature of data on prices. Markets are controlled by a few powerful entities, and this power is derived from a combination of "economic, social, and political hierarchy" in society. While *power* is never considered a determinant of economic systems, it clearly influences prices.

Chapter 11 is on "Growth and Change," and chapter 12 deals with the global economy. Both chapters make interesting reading, especially for students at graduate and postgraduate levels who can connect the contents of these chapters with their textbooks and find a new source of knowledge. The readers must thank Professor Kurien for these two excellent expositions on the core of economic analysis.

Part 3 of the book is devoted to a brief analytical sketch of the Indian economy. It begins with the evolution of the Indian economy in the pre-independence period under colonial rule. In chapter 14, Professor Kurien analyses the economic development of India in the decades after Independence through an academic transect walk. Having been a ringside observer of changes during these seven decades, he provides a succinct capsule of the same. After the discussion on the initial four decades, he reaches the milestone of 1991 and the following decades. He highlights the issue of increasing inequalities, especially the widening gap between economic groups at the extreme ends, following the changes in policy after 1991. He indirectly hints at policy lapses during the recent two decades. He concludes the penultimate chapter on policy analysis in the following way:

We have seen that the present phase of global capitalism is one that has lost its productive thrust, but one that enables an increasingly small segment of the population at the top to accumulate wealth through transaction activities. The majority of human beings, in rich and poor countries alike, are losing opportunities to make a decent living, their conditions at best becoming "increasingly less intolerable" as a writer has so tellingly expressed it. Do we leave it at that, or explore the possibilities of alternatives to capitalism, both those that have been tried out and those towards which some steps can be taken? (p. 220)

In the conclusion of chapter 16, Kurien discusses economic institutions beyond capitalism. After providing a brief overview of present-day capitalism, he traces its role in changing systems through "capitalist universalism versus nationalist particularism" (p. 224). For example, in the present scenario, nation-states want to protect the employment opportunities of their citizens from migrants while capitalists invest their capital in the developing nations to enhance their profits, which are then transferred to the nation of origin. He moves on to the Constitution of India and its Directive Principles after a general discussion on socialism and the changes it underwent in many nations. The word "socialist" was added to the Preamble of the Indian Constitution in 1976, thereby committing to a socialistic pattern of development. However, policy steps taken in the decade of the 1990s and thereafter were far removed from the core spirit of this word.

Economics is an evolving discipline, and Professor Kurien's book provokes us to think afresh about the role of economics in analysing real-life issues. If economics is to contribute to human welfare, economists must make efforts to understand the broader principles of social sciences. In this effort, the present book by Professor Kurien, one of the giants of our time in the field of economics in India, is essential reading.

## References

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