

Review of the book by John Komlos
Foundations of Real-World Economics, 3rd edition
(New York and London: Routledge, 2023)

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This is a unique economics book. It does not assume perfect knowledge and maximization at every twist and turn. It centers around how solid analysis can mesh with how people, local groups, and private and public entities actually behave. It takes institutional, mobility and social-acceptability constraints strongly into account. It builds on several decades of actual political-economic histories, and lessons learned – not just in the U.S., but in Europe and other regions too.

John Komlos brings to *Real-World Economics* a wealth of actual life experiences and observations blended with strong academic credentials and desire to relate these to actions and policies at human-achievable levels. He was born 1944 in Hungary. His family emigrated to the U.S. in 1956. He earned two PhDs at the University of Chicago, in history then in economics. After working with the University of North Carolina, he became a professor at the University of Munich. Throughout, he has forged fresh understandings of how human behavioral and biological traits affect perceptions, choices, impacts and economic histories. He is now retired but still actively contributing in several spheres.

As I finish absorbing the 18 solid chapters, I'm feeling friendly toward this book and its author. To think of it only as a student textbook would be selling it short. We who are out in the real world can well make regular uses of it too. It's a valuable reference to have at our elbows while reflecting on the day's news, or shaping views toward community-action and political proposals, or mapping out next month's work undertakings, or thinking about future phases of our own lives.

This is one of those books where peeks at later pages may be more rewarding than plowing through every chapter in sequence. The index provides glimpses at the topics and people embraced. The last subheading in the last chapter pretty much says it all: "Toward a capitalism with a human face." Each chapter ends with

a compact “Takeaways” section. The chapter subheadings, instead of just words, are clauses that tell the main messages.

In the early chapters, John Komlos lays out the foundations for how his “real-world” economics differs from traditional “blackboard” economics. He points out that markets are neither all-seeing nor all-powerful. He demonstrates that, on the demand side, people don’t buy things just on the basis of priority needs and rational price comparisons. And that there are many distortions created by habit, convenience, advertising, peer pressures, immediate-gratification desires, and such. And that many people require helps toward meeting basic needs and getting on better trajectories.

Professor Komlos then turns to the production side, and how imperfect competition, corporate power may distort prices and efficiencies, and make it hard for “mom-and-pop” businesses to start up and operate in dependable, ethical, community-friendly, job-providing ways. He shows how carefully designed counter-balances like minimum wages, price controls and unions can help.

Next, Dr. Komlos devotes three chapters to historic and recent macro-economic cycles and jolts, measures and interventions.

Chapter 10 centers around Keynesian economics, especially its emerging roles and limitations in the 21st century. Special note is taken of how, in the U.S. especially, many groups resist government actions that could help to stabilize, spur viable new trajectories, and reduce hardships and inequities. Attention is called to needs for macro-economics to include new kinds of multi-nation relationships, internet and robotic technologies, and other developments.

Chapter 11 highlights shortcomings of existing statistical indicators – especially how GDP does not include resource depletions, pollution, unpaid work, and the full value of many roles that women have ... also how unemployment data do not reflect the extent to which people would like to have more hours of work, better jobs and living conditions, and ability to move to other places.

Chapter 12 deals with problems of dampening business cycles and unusual jolts via deficit spending and such approaches. People like the government-subsidized times, but not when they have to pay more taxes to replenish government coffers.

Professor Komlos calls for more attention to economic underpinnings to help sustain progress, and to enable disadvantaged people and places to be part of that. He highlights new forms of industrial policy that are taking shape, in Europe especially.

Then come six chapters with applications to more specific aims and actions:

In Chapter 13, Komlos focuses on globalization and trade, and effects on employment and infant industries. He traces imbalances since 1965. He emphasizes that trade has not been an engine of growth for the U.S., and laments lack of consistent policies that help those who were and are disadvantaged by globalization. Obviously, the multinationals benefited considerably from globalization.

He foresees a pattern where variations of the same product or service are sourced in several countries, rather than just one. He sees timely attention to potential size economies as important. He thinks that trade certificates may be a good way to help reduce trade imbalances.

Readers still in their early- and mid-career phases may be attracted especially to Komlos' Chapter 14, The Financial Crisis of 2008. This will help them to cast those big jolts of their early lifetimes in broader light. If they wish to dig further, Komlos steers readers of this chapter to relevant pre-2008 patterns and decisions, and to earlier economist explanations, Hyman Minsky especially. This chapter also helps to understand origins of the mindsets of current political leaders, when addressing proposals for economic interventions and policies.

Older persons may be drawn especially to Chapter 15, which traces the paths to current right-wing populism back to event and action "tsunamis" since the 1980s Reagan era.

Those wanting diagnostic perspectives about minorities in our communities may appreciate Komlos' Chapter 16, Hidden Racist Elements in Blackboard Economics.

Most everyone can relate to Chapter 17, which uses Covid-19 to highlight need to have economies that can handle unforeseen and low-probability setbacks ("black swans"). Professor Komlos points especially to four vulnerabilities: 1) devotion to

economic performance data instead of underlying structures, 2) neglect of people's health and health-care systems, 3) inadequate safety nets to help people get back on track, and 4) preoccupations with full-throttle economic growth at the cost of few reserves for needed resiliencies.

As I conclude this review, I'm much appreciating this book's blend of economics, history, and human- and institutional-performance realities. I'm hoping that Professor Komlos has young counterparts who can help keep it up to date, and also extend its scope to learners, decision-makers and key influentials in more parts of the world.

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