

Understanding Capitalism: Competition, Command, and Change, 3rd Edition by Samuel Bowles, Richard Edwards, and Frank Roosevelt. New York: Oxford University Press, 2005. Paper, 608 pp.; 105 illus. (No list price).

The idea behind a textbook like this is to give enough economics to undergraduate students to help them understand the economy without making the subject matter too theoretical or complicated. At the same time, the author(s) would like to make economics a relevant and timely subject in hopes that the student's interest will be peaked for more advanced study. Lastly, the book has to be good enough so that those teaching from it enjoy the material and can use it to inspire themselves and their students. Bowles et al. in *Understanding Capitalism* hit the mark on all accounts in the 3rd edition of their text.

In the preface the authors describe how the purpose of their original textbook in 1985 was to offer alternatives to then much maligned and much more narrow neoclassical economics. They then state how in the past 20 years the mainstream has changed and is in flux, with many of the authors' own inspirations for an alternative economics (Amartya Sen, Ronald Coase, George Akerlof, Joseph Stiglitz, Robert Fogel, Douglass North, Daniel Kahneman, Vernon Smith, John Nash) having received Nobel Prizes in the interim. The authors lament the fact that the undergraduate texts still do not capture the more 'loose' neoclassical and alternative approaches of these recent Nobel Laureates. *Understanding Capitalism* does, therefore, still offer this 'alternative'. The authors also make it clear that in this edition their text is purposefully international in scope, to reflect the increasingly integrated world economy since the time of their first edition.

The main difference between Bowles et al. and *The Economic Way of Thinking* by Paul Heyne, Peter J. Boettke and David L. Prychitko and *Microeconomics* by David Colander is that *Understanding Capitalism* is more in depth in terms of the history and development of economics as a science as evolved from political economy from the time of Adam Smith through today and the highlighting of the work of six great economic thinkers (Smith, Marx, Schumpeter, Keynes, Coase and Sen) along the way. The book is both a text on economics itself as well as introduction to economics as a category of thought. Importantly as well for those of us seeking texts for undergraduate students, *Understanding Capitalism* can be used as both a microeconomics and a macroeconomics text as well as a text on economic history and political economy.

The book in comparison with Heyne et al. and Colander might be considered as 'Marxist' in outline, though by no means is the book confined to Marxist ideology.

The very title itself shows that ‘Capitalism’ is the process under study and headings such as ‘Technology, Control and Conflict in the Workplace’, ‘Competition and Concentration’ and ‘The Mosaic of Inequality’ further the dialectic. (In this regard Heyne et al. may be, again to generalize, the ‘free-market’ alternative to this text with the ‘market process’, as opposed to class analysis, the social theory underpinning the presentation and organization of material).

Understanding Capitalism is divided into four main sections, Political Economy, Microeconomics, Macroeconomics and the Future of Capitalism, with the authors using what they call a ‘three dimensional approach’ (competition, command, and change) to describe capitalist economics. The first section is rich in history and highlights important patterns which describe our international economy today, the economy which Bowles et al. call the ‘capitalist’ economy. These historical patterns include the population trends from the early agriculture societies to the “Population Explosion and the Growth of Cities”; transformation of the family through birth control, divorce, longevity; threats to the ecosystem through rapid industrialization of the developing world; the “Changing Nature of Work” due to specialization of labor and technological innovation (in true Marxist approach technology is a dominant subtheme throughout the book); the growth of real wages from 1200 to 2000 (with exponential growth since the end of the Great Depression) and the transformation and growth of government in society from hereditary rulers through democracies and the welfare state.

Of special interest is Chapter 2 in Political Economy, ‘People, Preferences and Society’ which describes the origination of the term *homo economicus* and walks the reader through such oftentimes complicated concepts such as beliefs, preferences, self-interest, moral obligation, ‘just price’, norms, constraints and trade-offs. There is also a section on human nature and cultural differences based on ‘ultimatum game’ experiments conducted by the authors showing society-based behavioral differences and highlighting the unintended consequences of policy. This section is put into context with the political philosophy writings of Hume, Smith, Burke, Marx and de Tocqueville and shows the correlation between cooperation and market integration. The Chapter ends with a summary of humans as ‘the cooperative species’. The Political Economy section also introduces such Marxian concepts as the social relations of production, class conflict, the surplus product, and the stages of capitalism.

Part 2 on Microeconomics in turn presents the fundamentals of microeconomic principles while at the same time including Marxian analytical tools. Subjects include supply and demand and their interaction, the invisible hand and coordination, the calculation of profits, labor determinants of the profit rate, the

role of capital goods, the dynamics of competition, the capitalist firm as a command economy, technology and the labor process, and profitability versus efficiency (the authors at the onset state their model is a “Schumpeterian model of dynamic monopolistic competition”). Part 3 on Macroeconomics includes measuring well-being and inequality, race and inequality, women’s work and wages, productivity and incentives, capitalism and uneven development, investment and production on a world scale, the business cycle (which includes an excellent graph showing the decrease in unemployment and employment fluctuations since what the authors call “built-in stabilizers and Keynesian policies” since World War II), the high employment profit squeeze, and the rules of government organization. The concluding section of the book is The Future of Capitalism wherein the authors reiterate the importance of trust to society. Lastly, it should be noted the authors include “A List of Variables” for the economy which is helpful for those studying economy for the first time, or, for their life’s work.

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