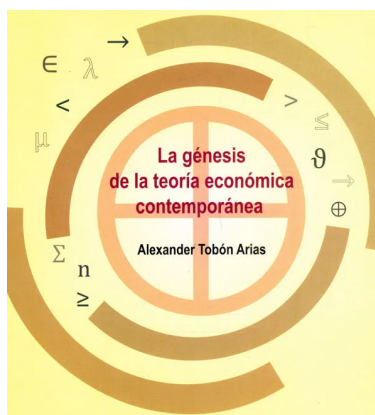


## **Reseña**

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**Tobón-Arias, A. (2023). *La génesis de la teoría económica contemporánea***

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Is economic theory still useful today? In a new book, Alexander Tobón Arias answers that question (I'll come back to this at the end) as he presents and attempts to promote the history of economic theory. The author was motivated to write this book by a “growing contempt of many economists for economic theory” in favor of applied economics. The synthesis he proposes aims to shed light on theoretical economics.

Tobón traces the origin of economics as a discipline. In chapter 2, he begins with the context for the appearance of the first thinkers in economics. The author addresses the questions that led to the birth of economic thought from the apprehension of the concept of wealth. The first pre-scientific currents of thought, providing answers to the questions asked, thus emerged: mercantilism and physiocracy, where the State and God are at the heart of economic reflection. Then came Adam Smith, who revolutionized economic thinking by proposing an analytical framework centered on the individual

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within economic society. The role played by this author is essential for economic thought. Alexander Tobón presented Smith's work, ideas, and reasoning in order to explain how they constituted the birth of so-called scientific economic thought.

After presenting the origin of economics as a scientific discipline, Tobón begins his history of theoretical economics by distinguishing two founding questions of scientific economic thought. On the one hand, the question of the coordination of individual decisions through the price mechanism and, on the other hand, the question of determining the level of use of resources.

First, in chapter 3, Tobón identifies Piero Sraffa's theory of producer prices as the reference model for the question of prices in all classical thought. Tobón tries to show that classical labor theory of value proposed by David Ricardo is a special case of the Sraffian theory. Then, in chapter 4, Tobón introduces the thought of Karl Marx. The particularity of this author is moreover to propose a critique concerning the self-regulation of the market by prices. Tobón seeks to highlight what opposes Marx to the classical school of thought. Alexander Tobón concentrates his reflection in the model of the transformation of socially necessary labor values into production prices, in order to show the possible autonomy of Marx's thought in the face of the classics. However, Tobón shows that the fairly acknowledged failure of this path of orthodox Marxism only strengthens Sraffa's classical model. This is an example of the interest of intellectual conflicts that allowed the development of economic science.

In chapter 5, Tobón addresses mainstream neoclassical thought. The author emphasizes here the resumption of the defense made by the classics of the thesis of the self-regulation of the market by prices. Tobón highlights the new method of neoclassical thought: the fiction of a *homo economicus* leading to the two postulates of individual maximization under constraints: the maximization of the utility of consumers and the maximization of corporate profit. Tobón then identifies Léon Walras' theory of general equilibrium as the reference model of neoclassical thought. Under the assumption of absence of market failures, the supply and demand functions derived from two maximization postulates conform a system of equations for the determination

of a vector of equilibrium relative prices, which ensures the optimum Pareto allocation of consumer goods and productive resources. Tobón points out how the two theorems of welfare economics lie at the heart of the rational justification for defending today's neoliberalism.

In the same neoclassical perspective, Tobón shows in chapter 6 the scope of the concept of equilibrium in an economy with market failures by using three specialties: health economics, environmental economics, and industrial organization. In the latter specialty, the determination of the Nash equilibrium using game theory shows that individuals can coordinate by the quantities of goods and not only by prices as has been demonstrated by the Walras equilibrium where there are no market failures. Here we understand the starting point of the upheaval marked using game theory, *vis-à-vis* the traditional method inaugurated by Smith.

Tobón continues in his book on the second question of determining the level of use of resources, especially labor. To do this, in chapter 7, he will first compare the macroeconomics proposed by the neoclassical or Classical economists to the macroeconomics proposed by John Maynard Keynes, under the assumptions of perfect competition and flexibility of prices and wages. In particular, he will identify what Keynes rejects from neoclassical theory: respect for Say's law always implies the full use of resources, that is, the unemployment situation is not to be studied. Consequently, neoclassical theory is not a true theory of determining the level of employment. Tobón again seeks to account for the divergence of ideas within economic theory.

In chapter 8, the author then presents the theory of employment proposed by Keynes, based on the principle of effective demand, which is an adjustment mechanism that reflects the rejection of Say's law. In Keynes, the level of involuntary income unemployment is the general case, while the level of full employment is only a special case. When there is unemployment, Keynes will advocate economic policies to support the future aggregate demand for goods, while the neoclassical economists will favor economic policies aimed at unobstructing the free functioning of prices and wages. Tobón carries out a pedagogical work of putting into perspective two schools of thought: neoclassical or Classical theory and Keynes.

The opposition between neoclassical macroeconomics and Keynes's macroeconomics is paramount in the history of economic thought and will provoke an intellectual turning point that will allow the emergence of two macroeconomic approaches long opposed: a neoclassical Keynesianism (chapter 10) and a neoclassical non-Keynesianism approach (chapter 11). The author establishes an intellectual path by presenting the different currents of economic thought constituting each approach. Its objective was to present their origins, their concepts, the role they played and their evolution. While the Keynesian approach develops around the "new Keynesians", the non-Keynesian approach does so around the "new Classics". These two opposing currents for 30 years, have drawn one of the most interesting intellectual conflicts in any history of economics, both theoretical and applied. The core of this conflict is the consequences of economic policies on the evolution of capitalism in the short and long term.

To my mind, this book is intended for students and researchers, both seasoned and novices. It allows an introduction to the history of economic thought by proposing a complete synthesis. Tobón thus makes it possible to understand the role of economics, at the origin of economic practices and policies that have transformed our society. Tobón presents a set of economic theories and traces their elaboration always highlighting the problems they seek to solve, the explicit and implicit hypotheses that are accepted and their main results. He wishes to present in an accessible way the economic science, its theoretical evolution, its main concepts. He also puts the different schools of thought in economics into perspective in order to explain how they meet, contradict and complement each other. The primary objective of this book is to shed light on economic theory by telling its story. It aims to demonstrate that yes, the theory is still useful in contemporary economic analysis. A theoretical approach is useful to have the means to understand the economy as a whole, without be misled by special situations. However, in order to defend its necessity in the face of applied economics, it seems essential to also use other methods such as putting these two ways of understanding the economy into perspective in order to demonstrate that they complement each other and not reject each other.

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