



Concrete Economics: The Hamilton Approach to Economic Growth and Policy

Stephen S. Cohen , J. Bradford DeLong

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"an excellent new book" -- Paul Krugman, *The New York Times*

History, not ideology, holds the key to growth.

Brilliantly written and argued, *Concrete Economics* shows how government has repeatedly reshaped the American economy ever since Alexander Hamilton's first, foundational redesign.

This book does not rehash the sturdy and long-accepted arguments that to thrive, entrepreneurial economies need a broad range of freedoms. Instead, Steve Cohen and Brad DeLong remedy our national amnesia about how our economy has actually grown and the role government has played in redesigning and reinvigorating it throughout our history. The government not only sets the ground rules for entrepreneurial activity but directs the surges of energy that mark a vibrant economy. This is as true for present-day Silicon Valley as it was for New England manufacturing at the dawn of the nineteenth century.

The authors' argument is not one based on abstract ideas, arcane discoveries, or complex correlations. Instead it is based on the facts--facts that were once well known but that have been obscured in a fog of ideology--of how the US economy benefited from a pragmatic government approach to succeed so brilliantly.

Understanding how our economy has grown in the past provides a blueprint for how we might again redesign and reinvigorate it today, for such a redesign is sorely needed.

Concrete Economics: The Hamilton Approach to Economic Growth and Policy Details

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JG says

America needs a pragmatic economic redesign.

This book argues in favor of a key role of government in the economy. The authors give examples of how the US government has been designing the path of the economy since the early days with Alexander Hamilton until the 80s.

I must say, I'm not a big fan of government but the authors have some pretty good facts. According to them this design has been pragmatic, not ideological as it is now.

They clarify that it is not the government alone who have made America great, but an "interdependence of entrepreneurship and government... coming together that reshapes and grows the economy."

The book refutes the conventional wisdom that US has been Jeffersonian or Jacksonian with small government and laissez faire. It hasn't been the opposite extreme (authoritarianism or socialism) but it surely hasn't been small government neither laissez faire. According to the authors it's been a mix, applying a little bit more of "this" when it's needed and a little bit more of "that" when "this" not needed anymore.

They lay their case using precedents through the US history. For example, Hamilton, Lincoln, Teddy Roosevelt, FDR, and Eisenhower, and how the rest of the presidents followed along the same lines, until Reagan.

The book criticises the great support to sectors like financial and real estate over others like manufacturing. And asks if they are really adding value to the real economy.

No doubt it is a polemical book and will touch some sensitive nerves. Definitely a good read.

John Mihelic says

Brad DeLong easily has the most interesting mind in modern economics. Before this book, I was unfamiliar with his co-author. But when I saw that DeLong was writing a book, no matter what the subject, I was ready to pounce on it. Thankfully the people at the Harvard Business School Press gave me an advance review copy, and then I was inconsiderate enough to not read review it in any form until now.

What Concrete Economics calls for is an economic plan on pragmatism. The realization is that both parties may have strayed too far into an ideology that doesn't work (neoliberalism in the vein of Thatcher and Reagan and continued to this day) in the light of the crisis that was almost ten years ago now. What we need, according to the authors, is to look at the administration of Hamilton's Treasury Department on doing what is needed to help the country grow and prosper. It reminds me of the dictum attributed to FDR in the Depression – Try something, and if that doesn't work, try something else.

The prescription is timely, since growing inequality and stagnating wages at the middle of the distribution

have given rise to the voices of populism and xenophobia. These current developments are scary to people who have tried to make the economic system work for everyone, and though I am to the left of the authors politically, I would much prefer a politics and economics of pragmatism much more than one based on fear of the other. Thankfully and hopefully, DeLong is a creature on the edge of the establishment, so maybe his voice will be heard in the next administration. (As long as the vox populi doesn't make some sort of fatal mistake.)

Diego says

Stephen Cohen y Bradford DeLong examinan las transformaciones o rediseños que ha sufrido la economía de los Estados Unidos con Alexander Hamilton, Theodore y Franklin Roosevelt, Dwight Eisenhower y por ultimo Ronald Reagan. En todos ellos siempre el gobierno jugo un papel fundamental abriendo oportunidades económicas y creando los arreglos institucionales para que la economía de Estados Unidos creciera; desde Hamilton y hasta Eisenhower esto siempre fue una cuestión pragmática, alejada de la ideología, centrada en lo concreto no en lo abstracto y mientras fue así tuvo gran éxito.

El último rediseño el Reagan en los años ochenta, sin embargo, fue distinto eligio la desregulación y privilegio al sector financiero partiendo de una base ideológica no de un entendimiento de la economía del país o de los sucesos en el mundo, hoy vivimos en el mundo creado por ese último rediseño.

Los autores hacen un llamado a cambiar la forma en que se hace política económica, a ser concretos en lo que imaginamos, no ha tomar decisiones basadas en complejas abstracciones que resultan inimaginables.

Es un gran libro que entre la profesión económica en México debe tener mayor atención.

Jeffery Mace says

An intriguing book that discusses the history of how pragmatism not ideology drove the interaction between private macroeconomic players and the US government since the days of Hamilton. It's a historical view with an econometric tilt that's easy to read and informative. Both authors give a very good case on looking to pragmatism above all else in discussing macroeconomic goals and give a damning case against ideologically driven change since the late 70s early 80s, especially in finance reform. Very recommended.

TMcB says

History and not ideology may well hold the key to economic growth. This book examines how our economy has actually grown and the role government has played in redesigning and reinvigorating it throughout our history. It challenges conservative orthodoxy by outlining the role that pragmatic (as opposed to ideologic) government policy can stimulate economic growth and even goes so far as to examine how the Asian powerhouses of Japan, South Korea, and China emulated many of our policies (from 1800-1945) to achieve rapid industrialization. A good quick read and a solid reminder, for those of us who tend to agree with Milton Friedman's economic philosophy, that free markets are imperfect..although not as imperfect as a full government-planned economy.

Darren says

The U.S. government has shaped, directed, nurtured and directed its economy. No, that is not the start of a joke but an argued matter of fact. Of course, the economy can still develop a mind of its own and confound the best planning in the world, yet the authors of the book look past regularly repeated economic theories and argue that the government still can shape or nudge matters and will continue to do so with a reasonable degree of success.

There is no single mantra to follow nor no perfect solution. The authors contend that the government can and has set the ground rules for entrepreneurial activity and nudges the economy into certain areas, thus letting the created environment take over instead of forcing it along demarcated, ideological lines.

Missteps have been taken, it is claimed, such as the reboot of the economy in the 1980s when the U.S. walked headlong into an East Asian “trap” that targeted traditional U.S. manufacturing industries and instead of countering this threat head-on, it seemed everything was done to go along with this and seize the “advantages” that it was bringing in the short-term. Things, in the longer-term, however have been possibly damaged forever. How much manufacturing is made in the U.S. today? Are the skills there to train a new generation of workers? No, is the answer, even if the customers would be willing to pay the extra costs to have U.S.-sourced products again.

The authors have provided an interesting read that does not take sides or pursue a political line, preferring to adopt a mid-line, impartial course. Some of the detail might go over the head of the general reader, some of the arguments may lead to debate amongst friends but the core arguments do appear sound. Of course, hindsight is a wonderful thing, yet one can always learn from the past and hopefully work to avoid future issues. The U.S. economy does not operate in a vacuum, it is also affected by world events, yet it is of a sufficient size and scale to impact rather than just react to competing economies.

This was an interesting romp through history, economics and politics all mixed together. It was fascinating to a non-American too, providing a bit more background knowledge to what made and makes the U.S. tick. In places the book seems to veer out of focus or become a little repetitive, but there were more “highs” than “lows” in any case and the book was a compelling, engaging read.

Andrew says

Concrete Economics: How Government Reshapes the Economy through Entrepreneurs, by Stephen S. Cohen and J. Bradford DeLong, is an impassioned treatise on removing ideology from economics in favour of practical and experimental progression that focuses on social well-being. The authors approach the subject by examining the United States economy through different phases; Hamiltonian, Depression era New Deal, Reaganomics and ultimately, the post-1980's deregulation drive. The authors also look at more authoritarian systems deemed the "East Asian Model" that focuses on centralized infant industry programs and export driven growth models. Finally, the authors get to the heart of the matter; they talk about pragmatic growth that is not ideologically driven, but driven by need and through innovation and experimentation.

The authors argue that the post-1980's deregulation drive in the US was the only economic blunder the

United States has made through its history of innovative economic solutions. Tariff driven infant industry led to the growth of a strong US manufacturing sector, and protection for agricultural goods in order for the US to compete with more advanced economies in Europe. This gave way to export driven trade policies in the world war era's, followed by an embrace of free trade policies after WWII. The authors note that free trade was only possible after WWII because the US economy was so advanced as to out-compete any comers globally - closely mirroring the British and French free trade policies almost a century earlier.

This analysis is interesting, but is not really innovative itself, as many other works cover economic history and developmentalism in greater detail. The interesting part of this book is the authors argument for the removal of ideology from economic decision making. They argue that a number of issues have arisen in the US economic system. There is conflict in the US between over and under regulation, an issue that has given rise to a complex and extremely expensive medical system, complex bureaucratic organizations, a lack of understanding for the importance of governmental framework in economics, and over democratisation of the economy - think dozens of interest groups, conflicting NIMBYism and so on.

Cohen and DeLong have written an interesting book that is becoming very timely due to the rising populism much of the Western world is experiencing. Arguments are surfacing for increased tariff protections, the dismantling of free trade agreements, and an increasingly aggressive foreign policy. If these issues seem familiar, it's because they are: these are all solutions that have been tried and failed in the past few centuries. They are solutions to past problems relating to bringing a nation up to speed with global competitors. The West in modern times is at the cutting edge of economic policy and governmental framework - not perfect, sure, but still at the forefront. When individuals argue that the West needs to step backwards, then the results will be backwards indeed. Growth will not follow. Indeed, growth is slow because the West has not figured out which tools and policy initiatives to utilize and follow in order to strengthen their economies. The West requires innovation, not ideological hysteria, the authors argue.

This book was interesting for a number of reasons. Its (albeit light) historical analysis of US growth was well written. Its arguments for rational and logical economic policy, however, is the real gold nugget of the book. The authors cut out the ideological fluff that often accompanies political analysis to get straight to the point: the last round of economic policy was a failure, and new policy needs to be created to fix the damage done. This will be done not through regressive and ideologically driven populism, but through progressive regulation, government-market cooperation, and an embrace of global trends. This was a clear and concise book, and can be easily recommended for those looking to read an interesting treatise on economic policy and where it may be headed.

Suzanned99 says

Good book. I knew that Hamilton was the mastermind behind our original economy, but I didn't know that Lincoln made some bold and helpful economic moves, in addition to everything else he had going on.

The part about how finance has taken over our economy was maddening.

Overall, I found the book helpful in my quest to understand economics and the economy.

Mark Isaak says

The message of this book is important -- that active federal policy has guided US economy since its beginning, and that until about 1980 such policies were guided pragmatically and were, for the most part, very good for the country. The current policy reinvention is based on the ideology of deregulation, with no concrete plan for the future, and with major serious detriments to the economy. The writing could be clearer (sentences sometimes do not follow clearly from the previous sentence), and sometimes economic technical jargon is used without explanation, but the overall message is clear and well supported, and I learned much about US economic history.

Athan Tolis says

The main thesis of the book is that the economic discourse in America needs to move away from the current fight between “liberals” and “conservatives” (the same guys who call themselves “progressives” and “job-creators,” or “pro-government” and “pro-free market,” respectively) and move on: let’s put aside ideological differences and let’s try to devise concrete solutions to the very real problems the economy faces.

To prove this need, the authors ascribe the ascendancy of America to its current position of power and prosperity to “pragmatic” economic policies that were followed by governments of all stripes, often in contrast with their proclaimed “values.” For example Hamilton set up a (highly protectionist, mercantilist) system, the authors say, and when Jefferson and Madison took over they may have disagreed with it, but they did not make any sharp turns, because they could see it worked.

Cohen has been a neo-mercantilist since the eighties, so perhaps it’s no big surprise that a parenthesis is opened here that takes up literally half the book: We are treated to a eulogy of industrial policy enforced through stiff tariffs and disrespect for foreign IP, which the authors hail as the very cornerstone of American success, differentiating the US from Canada, Australia and... the Ukraine, which became granaries for the British empire and kept importing manufactured goods from England. Indeed, it worked so well for America, the authors go on to say, that Bismarck’s Germany, post-WWII Japan, the Asian Tigers and China have successfully cribbed it all the way to their own prosperity since.

At the same time, wherever it fits in the gaps, the history of the nation from 1776 to, dunno, 1980 is retold in the vein of “Zinn with positive spin,” which has to be Brad DeLong’s contribution here: yes, it was not so nice that the Indians were pushed out of the way, but this made room for homesteaders rather than the big landowners one finds in Argentina; yes, the railroads were granted land by the state in what was clearly a crony-capitalist setup, but look at the benefits to trade and agriculture and commerce; yes it wasn’t so nice that the workers who put together the railroads were sourced on the cheap from the poorer parts of Europe and deliberately set against each other, but that gave rise to the progressive movement etc. etc. And it’s pure Zinn with very little spin when the authors claim that Teddy Roosevelt’s trust-busting was nothing more than an attempt to protect the system. Little by little you thus make it to 1980.

Next, the authors make a further claim to bolster their recommendation: the current slowdown in prosperity is blamed on the fact that America has abandoned its “pragmatic” approach to policymaking and has espoused doctrinaire theories that are more “ideology” than “policy,” deregulating finance and allowing it to take over from manufacturing, leading to the crash of 2008 and today’s malaise.

I disagree with, dunno, 85% of what the book has to say, basically, and this is perhaps not the place to say why, but I'll limit myself to observing that (i) Bismarck's German model led to two wars that did not end up too well for Germany, that (ii) in the (grossly paraphrased) words of Zhou Enlai about the French Revolution, it might be a tad too early to celebrate the ascendancy of the Chinese, that (iii) it's probably not early at all to say Japan is in deep duhu, and of course that (iv) China has already fired more people from manufacturing than the US ever did, so exactly how the US was going to keep those jobs is not clear to me at all.

The very tired point is also made that the government invented all the components in my Apple iPhone while it was fighting the cold war. Alright, then, let's go have another war with somebody, that won't be at all wasteful...

As for finance, I'd have expected these authors to point out that the one biggest externality, the pre-ordained default that is built into the "originate and distribute" model of lending has now taken its natural course, what with Fannie and Freddie back in the clutches of government, the only organization we can rely on to internalize externalities. The system worked, boys and girls.

Also, it's disingenuous to say finance replaced manufacturing. Manufacturing was dead long before the ascent of finance, there's scarcely any overlap between those two processes, let alone any causal connections. If anything (and as the authors say) to the extent that finance is about things you can touch and feel (and seize if the loan is not paid back) finance probably favors manufacturing over most alternative economic activities such as healthcare or education or any type of services.

Regardless, I must confess I truly enjoyed reading this dangerous little mini-book. Call me a crypto-commie, call me what you like. I was thoroughly entertained, basically. The message, besides, the one about how we need to think about the problems at hand, rather than our ideology, is impossible to disagree with.

Ah, and I almost forgot: I LOVED the SAT analogy that says micro is to macro what comedy is to tragedy. Brilliant!

Nandu Machiraju says

It's a thoughtful and provocative yet quick read. The authors start by walking through historical U.S. economic policy to show how the U.S. has pragmatically managed the economy. But more recently ideology has dominated pragmatism, which has led economic policy makers to abdicate management of the economy. Correspondingly, the U.S. economy has shifted from more productive activities like manufacturing to less productive activities like high finance. Anyway, it's worth a read, and it goes by quickly.

Jose Miguel Porto says

I found this book really interesting. Understanding how governments intervened in each of the main global economies to make them flourish from agricultural societies and moving up the value chain to the most important economies in the world. There was no invisible hand, but a clear governmental intervention to promote certain industries and activities. The cases of China, USA and Japan are some of the main countries addressed in this book and although all had different approaches, some approaches worked in one country

and maybe not in others. There is no "one-fit-all" governmental intervention policy to be implemented but certainly questions whether laissez faire is the best approach to all economies. Maybe we should be paying more attention to what other major economies did in the past that might have worked.

EconReporter says

Prof. Brad Delong's blogs, either "bradford-delong.com" or over at "Equitable Growth", are definitely two of the most influential economics blogs in the blogosphere, and I read both of them daily. More than often, however, I found my economics ideology differ vastly with that of Delong's. What keeps me reading his blog daily, is Delong's often detailed explanations on economics, and beyond doubts, they are absolutely fascinating for economics learners of all levels.

In the latest book "Concrete Economics: The Hamilton Approach to Economic Growth and Policy" (to be published on 9th Feb 2016), Prof. Delong, together with Prof. Stephen Cohen, successfully challenged my very own economics views once again.

The authors argue that the Financial Crisis, and the declining trend of the U.S. economy predated the crisis, was largely due to the fact that U.S. government and economics academia focused too much on ideological arguments for and against certain economic policies. Academics and Policymakers no longer guide the economy with "concrete thinking and plannings".

Without directly pointing the finger, readers can easily understand that the authors are blaming the Free-market-ism and the Chicago School, for guiding the economy only with vague principles, rather than visions and evidences.

As a supporter of Friedman's vision of free market, I find this book still fascinating. The authors argued that Alexander Hamilton, Founding Father of the United States, chief staff aide to General George Washington, and most importantly the first Secretary of the Treasury of the United States; as one of the examples of how concrete and visionary economic plannings could indeed be a better guiding principle for building a wealthy nation.

The Authors emphasized it is the vision of economic leaders, together appropriate regulations and the understanding of the economies' need, rather than pure ideologies, should be the key to economic developments.

But one thing we have to be clear, the authors are not arguing for communism, or any other form of dictatorships. Rather, the authors are arguing for no guiding economic ideology at all.

This is why I enjoyed reading "Concrete Economics", even the author's advocacy position on using excessive tariff to protect local industries development is rather too strong for my own taste.

This is a book which Free Market Supporters should read, as this book let readers understand what concrete economic planning achieved. Also Delong and Cohen's arguments provided Free-marketer a foundation for

more thorough thinking on why and when free market methods work best, and why mere Free Market ideology alone can't result successful economic developments.

The Concrete Economics based on this very premise:

“Yes, there was an ‘invisible hand’ and enormous entrepreneurial innovation and energy. But The Invisible hand was repeatedly lifted at the elbow by government and re-placed in a new position from where it could go on perform its magic.”

The authors argue, it was Hamilton's tariff protection for infant manufacturing industry against more competitive English producers, e.g. 25 percent in 1816, that help United States industries a breathing space to develop. And it was U.S. government's initiative to build transcontinental railroads that opened vast opportunities for profitable farming and settlement, and the developments of steel industries.

It was also Franklin Roosevelt's pragmatic experimentalism, putting out the New Deal in the climax of the Great Depression, that redesigned the U.S. economy and opened economic space for future growth. Though it was originally an economic stimulus, the New Deal found its way into every corner of U.S. economy, from farm, to bridge, to stock exchanges and bank, to social insurances, and turn itself into the foundation of post war U.S. economy. As the authors put it, “Through the New Deal was not its self ideological but rather ultimate in pragmatic policy experimentation, it became the definition of ideology that was post-World War II American liberalism: The regulation of finance, social safety net, mortgage insurance, high marginal tax rate, and big active government. It became the model of what government could do and should do.”

Most interesting argument in the book, is the authors analysis on how East Asian Economies, i.e. Japan, Korea and China etc, took the Hamilton-style economic planning, using deliberately low exchange rates, tariff and subsidies to protect local industries from international competitions. At the same time, adopters of this “East Asian Model” take advantage of the globalization, selling their manufactures to all around the world to help local industries grow even faster.

And what did U.S. do amid the rise of the East Asian model? U.S. inclined to growth “high-value added industries”, like Financial Services. By embracing deregulation of finance industry, finance grew tremendously as its share in U.S. economy grew rapidly. The result is excessive lending that eventually led to The Great Recession of 2008, and the rise of East Asian economic power. As the authors read it, U.S. just gave away part of its economic supremacy to the East Asia, for nothing in return.

Is this the correct analysis of the whole post 1980s world economic situation? Arguable. But the comparison between Hamilton style development strategy and the post-1980s U.S. economic development is striking. This makes me wonder, why U.S. had chosen the path it took...

Fer Bosio says

<https://www.goodreads.com/book/show/2...#>

Haaris Mateen says

In a very readable and direct style, Cohen and DeLong delineate the difference between a pragmatic ("concrete") style of economic policy making versus one that is driven by ideology. Relevant stuff for those wanting to be respectable voices in policy debates anywhere in the world.

It is, in a way, a more crisp analysis of the questions Gordon undertakes in the Rise and Fall of American Growth (which I am reading simultaneously; will take a week more to complete) albeit with a different focus. Rather than exhaustively investigating every piece of America's story on the innovation side, Cohen and DeLong talk about the role of the US government in fostering an environment where entrepreneurial energies could be unleashed. That role turns out to be a pretty active one - the authors call any country which follows such a prescription a "development state" - where the government decides a certain vision for their country and then proceeds to regulate or deregulate as the situation demands.

A recommended read.
