Economic Thought and Discourse in the 20th Century

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Warren J. Samuels, Jeff Biddle and Thomas W. Patchak-Schuster, *Economic Thought and Discourse in the 20th Century* (Edward Elgar, Aldershot and Bloomfield, 1993) Pp ix + 288. ISBN 1 85278 724 4. Price: £45.00.

This volume presents portions of the accumulated capital of the economics discipline on which practitioners draw, consciously or not, in their research. Most working economists have neither the knowledge nor the inclination to utilise this investment of human capital from previous decades or centuries. "There has been a tendency .... for specialists to ignore (in some cases simply to forget, in most cases never to have heard about) the early history .... or in fact to consider it pre-history" (p. 219). Samuels and his co-authors demonstrate in this discussion of economic thought and discourse that economics does have a useful past by focussing on the views of three economists whose names have not been forgotten and by analysing the early (largely United States) literature in the currently fast growing field of law and economics. The first three chapters deal with aspects of the work of John Hicks, Thorstein Veblen and Alfred Marshall; the fourth summarises journal contributions on law and economics over the last hundred years. In line with the theme of the book, Hicks is examined from the perspective of his own writings on the history of economics; Veblen's thoughts on the major twentieth century problems of war and peace are then carefully evaluated; Marshall's *Principles* are examined for its discursive and interpretive structure; while the concluding survey on law and economics literature illustrate both the diversity and fundamental nature of this long-standing problem in economic discourse thereby demonstrating that in the contemporary economics research agenda there is little new apart from the inevitable changes in institutions and perceptions. Some of these themes can be developed at large.

To start at the beginning. The first essay pays a tribute to one of the great economists of the twentieth century: John Hicks. Hicks' influence has been exerted on virtually every field of economics from the 1930s and his analytical devices constructed and popularised for pedagogic reasons - from indifference curves and their associated "production" paraphernalia to the IS-LM apparatus - have dominated teaching in principles courses in the western world from the second world war. The essay's opening paragraph recalls Hicks' role in the Hicks-Samuelson revolution at the end of the 1930s which inaugurated the "neo-classical synthesis" of Keynesian economics and its rehabilitated micro-foundations from the "classical" economics Keynes had criticised. Hicks himself recalled that when in 1946 he met Samuelson, Arrow, Milton Friedman and Don Patinkin for the first time, they regarded his work as "the beginning of <u>their</u> neo-classical synthesis" (Hicks, 1983, p. 361). It was a synthesis, therefore, that Hicks came to disown. He did this publicly in the *Economic Record* in his famous differentiation of J.R. from John Hicks (Hicks, 1975). More explicit were the later articles rejecting the IS-LM apparatus as misleading. His last article (Hicks, 1990), published posthumously in the centenary volume of the *Economic Journal*, can be seen as his own version of the rehabilitation of the older "classical" economics from Petty to Mill and consistent with the conclusions of Keynes. Hicks's candour and humility, visible in his continuous critical re-thinking of the appropriate theoretical framework is a substantial feature of Samuels' appraisal of Hicks as is, of special interest to readers of this journal, his evaluation of Hicks' journeys into the history of economics, many of them collected in *Classics and Moderns* (Hicks, 1983). The last includes, incidentally, Hicks' strong attack on the generally perceived "strengths" of American economics - "theory for theory's sake", "idealisation of the market" and unwarranted faith in the claims of econometrics - hence implicitly deploring the Americanisation of economics which is now conquering the Eastern world like the Spanish inquisition conquered Spain, to adapt Keynes' famous metaphor of progress in economics to a new situation. Since Hicks himself had spawned some of these "strengths" in his early work, including that specifically mentioned in his award of the Nobel Prize, Samuels's perceptive comments on the "selective reception" accorded Hicks' writings are particularly worthy of careful study (pp. 35-9). Such "filtration in a process of selective reception" is defended by Samuels as "analytically unobjectionable", as is its "correlative of multiple interpretations". Now to my way of thinking there is nothing objectionable about developing the ideas of the great economic thinkers whom Samuels uses as examples in this context - that is, Smith, Ricardo, Marx, Marshall, Wicksell and Keynes in diverse, and sometimes contrary, directions - by their students and critics. That is one way in which scientific ideas and thought develops. However, valid interpretation of such thinkers' work cannot be pluralistic. In the debate over the interpretation of Ricardo's "analytical core", either Sraffa or Hollander is correct and the former has not yet been convincingly discredited. Similarly, Hicks' public detraction of aspects of his early work *ought* to be acknowledged when others draw upon it in developing their own perspectives. Hicks' own warnings about the dangers in such developments seem to me to be particularly important because they come from the originator of what is being developed. This aspect of Hicks' practice is better illustrated by Collard (1984) when he stressed Hicks' justified scepticism of claims about the universality of economic theory and emphasised the value for students of the subject of a "genuinely open and receptive mind" as compared with the dogmatism of the latter day textbook.

It seems unfortunate that the notions of "filtration" and "selective reception" so ably used in the chapter on Hicks are forgotten when (with doctoral student Patchack-Schuster) Samuels investigates aspects of the discursive and interpretative structure of Marshall's *Principles*. Although in the Hicks chapter, Marshall was included among those subject to "multiple interpretations", this proposition is flatly denied in the chapter on Marshall (p. 213). Yet Marshall's economics is not nearly as simple or straight-forward as such a prognosis suggests, even when it is confined to the eighth edition of the *Principles* as is here explicitly done. This asserted unanimity in commentary is also given a blow when in endnote 2 of the chapter, Samuels and Patchack-Schuster indicate their disagreement with Schumpeter's evaluation of Marshall on a major point (p. 214). However, this fiction of general agreement on the meaning of Marshall is useful to the authors for validating the construction of a detailed grid for the reading of Marshall's text which follows. Many of the propositions in this grid (pp. 160-3) are problematical if not controversial. This is equally true of the six propositions ascribed to Milberg (1988) and the features of the mid-point of a "crisis in economics" in 1890 to which Marshall is argued to have been reacting. Since the *Principles* was constructed over the whole of the 1880s to the extent it was ever completed (the project for a second volume gets little mention in the chapter despite the implications of its abandonment for revisions to later editions of the text which Marshall explicitly stressed in prefaces), this makes it more difficult to identify the crisis to which the book is said to have been a response. When, moreover, the text actually evaluated is that of 1920, that is, thirty years or more than half of an economist's life time later, linking contents to the midst of an identity crisis for economics timed at 1890 becomes even more problematical Elsewhere, Samuels (1992, p. 50) has pleaded guilty to Whitaker's charge that Marshall scholarship has been led astray by undue concentration on the eighth edition. Such concentration cannot be justified, as Samuels does on this occasion, by stating that the eighth was the "final statement" of Marshall's positions on various subjects" (p. 214 n.1). This misrepresents both the person and his book. Had Marshall lived to a hundred in reasonable health, there would certainly have been further fiddling with the book. This even occurred *after* 1920, given that the 1922 printing has some minor corrections and additions. Furthermore, for Marshall who claimed that texts had a useful life of less than fifty years, attributing fixed or final positions to such projects would have appeared as a contradiction in terms. A reading confined to one text of a book that in its various editions had almost as many lives as the proverbial cat, is flawed from the outset. Given that Marshall also wrote more than one book, the project becomes even more limited as a representative interpretation of Marshall's work and thought.

In a brief review, only two of the consequences of this allegedly uncontroversial grid-reading of Marshall's *Principles* can be explored, beginning with the Samuels' reading of Marshall's use of the word 'economics' in the title of the *Principles*. Marshall had effected such change in name of the subject originally in 1879 for the *Economics of Industry*, partly to differentiate this joint product with his wife from rivals in the market place. After all, their publishers, Macmillan, were already involved in selling two primers of political economy. These were Jevons's *Political Economy*, first published in 1878; more importantly, because it was seen as the more significant competitor, there was Millicent Fawcett's *Political Economy for Beginners*, the fourth edition of which had appeared in 1876 when the Marshalls' book was first contemplated. Differentiating the product to capture a share of a fairly small market therefore made special sense in Marshall's first successful book publishing venture, particularly when his first project and book, the draft on international trade, had received a relatively poor reception from his publishers. A similar marketing strategy probably applied to Marshall's *Principles*. This likewise needed to be distinguished from another Macmillan (and Cambridge) *Principles* in the field, that by Henry Sidgwick, the second edition of which had appeared in 1887 when Marshall was finalising with Macmillan the publication details of his own book to appear in two volumes. Furthermore, Marshall tended to treat the terms of economics and political economy largely as synonyms, from the opening sentence of the *Principles* onwards. For him, the new name did not have the ideological significance which it appears to have had for Jevons and others. In any case, Marshall's explicit reason for replacing the name political economy with economics was based on the need to disassociate the subject from party-political considerations. This related to the harsh laissez faire positions espoused by significant sections of the Liberal Party, while growing class divisions in society made political (in the sense of national) no longer appropriate to clarify the meaning of economy as a subject for study (Marshall and Marshall, 1879, p. 2). This disassociation had to be particularly emphasised in a book addressed to workers, many of whom were suspicious of the class nature of political economy in its applications to them, a working class position Marshall had himself encountered in controversy in the *Bee Hive* (Marshall, 1874, pp. 423-30). The significance ascribed to Marshall's, at this stage, isolated change of name, has been essentially a retrospective phenomenon, which draws extensively on Jevons's opinions to explain the visible practice of Marshall. It has also little to do with sharp distinctions between "positive" and "normative" economics which are said to coincide with this event (see Groenewegen, 1985, 1987, 1992).

More crucially, the status of Marshall's theory of value is mishandled in this discourse. This likewise owes much to its tendency at retrospective reading. Samuels and Patchack-Schuster simply describe Marshall's theory of value as an application of the theory of supply and demand to determining short run and long run market prices. It is true, that when narrowly defined, Marshall sees supply and demand as simple functions of price. This, however, is little more than a preliminary excursion into the subject, perhaps useful to explain certain market equilibria situations. More broadly, Marshall used the theory of supply and demand (or theory of value) as a short hand for production and consumption, activities and wants. These pairs can be described as the large drawers of a filing cabinet, useful for sorting out relevant factors influencing the specific problem of value under consideration. However, these pairs are often interdependent and rarely uni-directional or mono-causal. Samuels and Patchack-Schuster grasp this point only when they deal with Marshall's complex and sophisticated treatment of the labour market as a problem in the theory of value. They therefore fail to see its more general applicability in interpreting Marshall's value theory. Most importantly, equilibrium price determination is not the goal of Marshall's apparatus: it was to provide a method of thinking and system of classification for organising the manifold data for solving real problems. Nor is static equilibrium the desired outcome of this approach. As Loasby (1989) in particular has argued, the essential purposes of the theory of value for Marshall are dynamic and involve the theory of economic growth. Marshall remained classical in the sense that he never accepted the new marginalist views that economics, including the theory of production, was all reducible to a theory of exchange. For him, production was a crucial factor for analysis if the complexities of the theory of value were to be comprehended, and this required its study in its technical, organisational and evolutionary aspects. Hence the 'microeconomics' Marshall bequeathed to posterity as interpreted by present practitioners has only a very formal resemblance to the argument of the *Principles*, its essential substance having been drastically transformed over time (cf. Abouchar, 1990, for an excellent discussion).

There is nevertheless much that is valuable in this account of Marshall, particularly if the reader is liberated at the outset from the grid its authors wish to impose. The same applies to the other chapters of the book, particularly that on Veblen. This insightful evaluation of Veblen's complex perspectives on the subject of war and peace is a valuable addition to the rich Veblen literature. It is also a fascinating contribution to a topic most economists have ignored. Those interested in economics and law, or the contributions made by economists to the study of politics in the context of public choice theory, cannot ignore the final chapter. As this century draws to its close, more evaluative exercises of the broad thrust in economics which it has produced need to be undertaken. This volume provides a useful start by pointing out clearly that full understanding of the rich complexity of contemporary economics requires subscription to the dictum that economics has a useful past.

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Modern economic thought is usually considered to have begun with Adam Smith in the late 18th century, although earlier thinkers such as the Spanish Scholastics and the physiocrats made important contributions. Modern mainstream economics can be said to begin with Mill focusing on what was then called "political economy" on "wealth" which he defined exclusively in relation to the exchange value of objects, or what would now be called price.Â In the late 20th Century three of the areas of study which are producing change in economic thinking are: risk based rather than price based models, imperfect economic actors, and treating economics as a biological science, based on evolutionary norms rather than abstract exchange. The history of economic thought deals with different thinkers and theories in the subject that became political economy and economics, from the ancient world to the present day in the 21st Century. This field encompasses many disparate schools of economic thought. Ancient Greek writers such as the philosopher Aristotle examined ideas about the art of wealth acquisition, and questioned whether property is best left in private or public hands. In the Middle Ages, scholasticists such as Thomas Aquinas