

Paul Oslington (ed.). *Economics and Religion*. Cheltenham, UK and Northampton, MA, USA: Edward Elgar, 2003. Two volumes, pp. xvii + 513; pp. xi + 460. ISBN 1 84064 849 X. £250.

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Economics claims to be the leading social science, an enterprise which tries to emulate the methods and purported success of the natural sciences. At least in the commercial (nominally Christian) part of the world, the practitioners of the natural sciences long ago fought a successful battle to free themselves from constraints of religion. Social scientists followed suit. For most modern economists, the linkage of the words 'economics' and 'religion' appears to be anachronistic and a dangerous mixture; for them the combination is explosive and threatens the whole programme of modern economics as a putative science. *Economics and Religion*, edited by Paul Oslington, is a two-volume collection of writings focusing on this volatile mixture.

Oslington, a Senior Lecturer in Economics at the Australian Defence Force Academy, is well-qualified to undertake the task of producing a collection on the theme of economics and religion (with a Ph.D. in economics and a divinity degree). Apart from Anthony Waterman (a former Anglican priest who also has a Ph.D. in economics), Oslington is a rare bird with his qualifications in both economics and theology. Oslington's interest in the history of economic thought and the relationships between religion and economics stretches back some years. Details of his blossoming work in these fields can be found on the internet (Oslington n.d.). Oslington has demonstrated his expertise in *Economics and Religion* in two ways: by providing a brief but insightful introduction and by selecting an excellent set of papers.

Next, a comment on the structure of the volumes is required. Volume I contains one Part: 'Historical Relationships'. There are 17 contributions in this Part. These articles and book chapters are probably the most relevant to the history of economic thought specialists. Volume II contains two Parts: Part I is 'Religious Economics and its Critics'; and Part II is 'Economics of Religion.' Of the 14 articles, book chapters and previously unpublished materials in the former Part, twelve are on Christianity. In addition, there are papers on Judaism and Islam. 'The Economics of Religion' Part contains 10 articles and book chapters. The theme of this Part has gained prominence in recent years with the ascent of the Chicago School of economics. Overall, the 41 contributions in the two volumes take up about 960 pages of text; they comprise materials drawn from the period 1939 to 2002.

What may initially be surprising to non-specialists is the sheer volume of material from which Oslington could choose. To include almost a thousand pages on such a topic seems preposterous, given the well-established secularisation of the social sciences in the developed world. Once such a reader recovers from this shock, he/she might suggest that such a collection would comprise materials drawn primarily from obscure sources. Actually, the set of papers includes reprints of articles from mainstream journals (including three articles from the *American Economic Review*, four articles from the *Journal of Political Economy* and two articles from the *Journal of Economic Perspectives*) as well as little-known periodicals, selections from books published by well-established and

obscure publishers, and some 25 pages from one author which were previously unpublished. For many economists, especially historians of economics, there is much to feast on in these papers.

In reality, the extent of the scholarship would be unsurprising to specialists. The pervasive influence of religion has only diminished in a limited part of the world and even there the secularisation of intellectual and social life occurred only relatively recently. The interest by historians of economics in earlier theories, and in the context of the times in which earlier economists wrote, would naturally lead them to deal with the influence of religion. Hence, especially welcome in Oslington's volumes are commentaries on the religious dimensions to the work of Adam Smith (by Leathers and Raines, Rothschild, Hill, Waterman and Anderson), T.R. Malthus (by Pullen), and Thomas Chalmers (by Hilton). Also welcome are articles dealing with the emergence of the break between economics and theology (by Waterman), the religious roots of the founding of the American Economic Association (by Bateman and Capstein), and others. Waterman's leading position in the field dedicated to the study of the historical connections between religion and economics justifies the inclusion of two articles by him in this Part.

Let me now turn to Volume II. Even today, beyond the historical dimensions, economics and religion is a surprisingly active field. In the United States civil society has not undergone the secularisation evident in Western Europe. Many American economists are also active Christians. Thus many economics professors at liberal arts colleges have an interest in the way in which their religious beliefs can be brought into their teaching. Some nevertheless think that, for the benefit of both disciplines, economics and theology should be separated. Such debates have found expression in various venues. For example, there is an active Association of Christian Economists (founded in 1982) which produces a scholarly journal; until 1999 this journal was called the *Bulletin of the Association of Christian Economists* but it is now called *Faith and Economics* (see Association of Christian Economists n.d.). It is not surprising that Oslington included one Part on 'Religious Economics and its Critics' and in this Part included four contributions from the *Bulletin*.

In addition to these more traditional approaches to the topic, there is much activity by those who seek to impose neoclassical economic approaches on the study of religion. The former approach may be called economics *and* religion; the latter Oslington correctly labels the 'economics *of* religion'. The imperialist approach of the economics of religion, which has been championed by Chicago-style economists, has also had considerable impact. Under the Chicago influence, the 'imperial science' of economics expanded into other fields whilst retaining the same model of human behaviour that it uses within traditional economic topics. Perhaps the leading figures here are Robert Ekelund and Robert Tollison. A rising star in this field is Laurence Iannaccone, under whose leadership several major activities have begun. Since 2002 an annual conference has been held on Religion, Economics and Culture. In 2003-4 he set up The Association for the Study of Religion, Economics, and Culture (see The Association for the Study of Religion, Economics, and Culture n.d.). It was a wise choice by Oslington, therefore, to include another Part on 'The Economics of Religion' and to insert in it two contributions by Ekelund and Tollison and one by Iannaccone.

One of the most contentious issues in a collection of this kind is selection. In my view the volumes contains many of the items that one would

hope to find. Australian readers of the *History of Economics Review* can be proud to find included so many contributions by their fellow countrymen. Despite those general observations, I have a few reservations about Oslington's selections.

Let me mention first some general concerns about journals that have not been included. Some journals which frequently, or at least regularly, discuss economics and/of religion which have not been successful include the *Review of Social Economy* (although one paper from its sister journal, the *Forum for Social Economics*, was included), the *International Journal of Social Economics*, the *Journal of Markets and Morality* and the *Journal for the Scientific Study of Religion*. The *Review of Social Economy* has an interesting connection to the theme of economics and religion. It is currently the journal of the Association for Social Economics but it has a history going further back; it was the journal of the Catholic Economics Association, formed in 1941. With such a pedigree, and long existence, it is hard to believe that there was no article in it worthy of inclusion. Almost as important, however, was the exclusion of contributions from the new *Journal of Markets and Morality*. While this journal only began in 1998, already it has vastly expanded the number of pages per issue and gained considerable attention. According to the editorial objectives, it is dedicated to 'the scholarly exploration of the relationship between economics, theology, and ethics'. Finally, the *Journal for the Scientific Study of Religion* began in 1961 and periodically includes articles from an economic perspective.

Next, let me discuss specific authors. I was pleased that Oslington included contributions from Jacob Viner, Frank Knight, Barry Gordon, Anthony Waterman, Michael Novak and several others mentioned above. Some authors were perhaps unlucky not to have been reprinted. Edward O'Boyle and Peter Danner dedicated much of their lives to Catholic social thought (personalist economics) but were overlooked. Similarly, Daniel Rush Finn specialised in the study of the relationships between economics and theology but was also overlooked. Something from each could have been included.

With regard to specific items, it seems to me that the famous article by E.F. Schumacher 'Buddhist Economics' warranted inclusion (reprinted in Schumacher 1974). Also, Waterman recently praised a contribution by Ian Steedman; it may also have warranted inclusion (Waterman quoted in Webb 2000; Steedman 1994). In my view an article from the *History of Economics Review* by Richard Kleer should have been included (Kleer 2000). Also, while one article on Malthus's theology was included, it was surprising that there was no space for any others on this subject.

Oslington's parameters for the set of contributions were quite wide but could have been extended. First, if the time-frame had been extended backwards, sections from Veblen's work should have been included (Veblen 1899-1900). One should also note that new contributions of a high standard have already started to appear (Hill 2004). Second, the volumes could have included translations. Thus work by Germans like Wilhelm Hasbach (writing in the late 1800s) could have been added (excerpts from him are provided in Kleer 2000). Similarly, inclusion of Japanese authors like Shoji Tanaka (1993) would have been valuable.

One comment on the style of the presentation of the papers is required. I was impressed with the layout of the two volumes. The reprinted articles included original page numbering in addition to page numbering within the two-volume set. This is very helpful.

Producing these volumes was a major undertaking and to my knowledge the first of its kind. Nevertheless, there is scope for further work. Perhaps a third volume could be added in the future to supplement the existing material (no doubt including a contribution from Oslington himself). Alternatively, new projects could be undertaken to extend the excellent work that Oslington has begun. In any event, both Paul Oslington and Edward Elgar Publishing are to be congratulated for producing such an excellent contribution to intellectual history, the history of economic thought, theology and religious studies. The relationships between economics and religion are highly relevant to serious students of the history of economic thought. I believe, however, that these relationships are not only of interest to antiquarians. The enduring relationships between economics and religion are evident in various ways (especially outside of the nominally Christian world).

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Ingo Barens, Volker Caspari and Bertram Schefold (eds). *Political Events and Economic Ideas*. Cheltenham, UK, and Northampton, MA, USA: Edward Elgar, 2004. Pp. xii + 407. ISBN 1 84376 440 7. £75.00.

Peter Groenewegen*

This book, as the preface (p. xii) explains, contains the plenary lectures, the Blanqui Lecture, a selection from the other papers and a report of the concluding round-table discussion on the theme, 'the effects of political events on economic ideas'. This was in fact the theme for the 5th ESHET Conference held in Darmstadt (Germany), 22-25 February 2001. The conference theme is an important one for the historian of economic thought, and guided the selection of most of the papers collected in this volume. Many of its implications are, generally speaking, well captured in these papers as they explored the theme in its many aspects, ranging chronologically from the ancient Greek world to contemporary developments in Russia and in various countries of the European Community and in the new Europe itself.

The problems associated with the precise meaning of the theme of the conference are, unfortunately, less frequently explicitly commented on. In his preface, Bertram Schefold raises the intellectual methodological challenge that when 'economists like to target theory of universal validity....they often discover that the elements of the theory are historically contingent'. (p. xi) What the potentially historically contingent elements are, as against the theory itself, was a matter not really addressed by Schefold in this brief preface by way of a specific example. His broad reference to cameralism and Mercantilism, and more specifically to von Hörnigk's *Österreich Über Alles*, does not really fit the bill on this. Nor does the book make a clear distinction between 'economic ideas', the terminology explicitly used in the title of the book, and the economic *theory* on which Schefold initially concentrates in his preface. This is by no means the only problem with interpreting the precise meaning of the theme. David Laidler, in his brief contribution to the round table (pp. 365-6 especially), suggests that economic thinking itself generates political events, as was the case, for example, with free trade. The other contributors to that round table reverse the causality, that is, political events are argued to generate economic ideas and economic theory, as is particularly the case with Walter Eltis's contribution to the round-table discussion on the economics of the Physiocrats. Schefold, however, raises both potential relationships between political events and economic ideas in his brief preface.

Defining relevant political events in this context also raises problems. War, particularly the two world wars, features strongly in the contributions by two other speakers in the concluding round table (Christian Schmidt and Bertram Schefold) as it does indeed in some of the other papers (such as that by John King on aspects of the economic thought of Kaldor and Robinson). Other wars of course make equally good examples. The French revolutionary wars, together with the Napoleonic wars, provide many interesting instances, not pursued in this volume. These wars, after all, were responsible for the restriction on convertibility of British currency from 1797, a policy with an enormous impact on the development of monetary theory in the first two decades of the nineteenth century. The impact of

Louis XIV's many wars on French prosperity and France's finances inspired much French economic thought on how best to restore that lost prosperity and proposals for a sound financial system on which it partly depended (Boisguilbert, Law, Vauban and, in the longer run, and with further wars in between, the Physiocrats, are good examples of this phenomenon).

Political events which influence economic ideas are not confined to wars in this book. Laidler, in the opening essay to this volume, discusses the impact of monetarism on the political situation in the USA (Reagan), the UK (Thatcher) and could have done likewise for Australia (Malcolm Fraser and Philip Lynch). Laidler's essay also appropriately opens Part I of this volume, 'Monetary Theory and Policy between International Rivalry and Integration'. The politics and economics of economic and monetary union in Europe are discussed in the second essay by Otmar Issing (as very recent history of economic thought). Marcello de Cecco uses Knapp's *Staatliche Theorie des Geldes* to elucidate the political element in monetary theory, though this is done (as is more generally the case for the book under review) without any bow in the direction of Myrdal's classic study, *The Political Element in Economic Theory* (first published in Swedish in 1929 and translated into English in the early 1950s), which – significantly – concluded with a chapter on the role of economics in politics. An analysis of the stabilisation of the franc in France in the 1920s (by Cécile Dangel-Hagnauer and Alain Raybout) and a discussion of post-1948 German currency reform (by Karl Häuser) conclude the treatment of the theme with respect to monetary economics, and the first part of the volume under review. Given the impact of money on policy, and the frequent political fall-out from monetary policy, these essays well illustrate the conference theme, even if causality, as befits the book's title, runs both from economics to politics and vice versa.

Part II is devoted to Physiocracy as another facet in the development of economics to illustrate the conference theme. This segment of the book includes essays by three well-known experts on Physiocracy – Walter Eltis, Jean Cartelier and Gianni Vaggi – and concludes with an interesting piece by Rainer Klump on 'the kingdom of Ponthiamas' as a Physiocratic model state in Indochina. In general, I found the first three articles disappointing in the sense that these authors contributed little new on Quesnay's work in relation to the theme of the conference, rehashing instead much of their earlier work on the *Tableau économique* or, more broadly, Physiocratic economics in general. Thus although Eltis in his essay refers to the Versailles versions of the *Tableau* and to the fact, not explicitly documented, that even the then king (Louis XV) had read Patullo's *Essai sur l'amélioration des terres* (with its high Physiocratic economic policy content), he does not in any depth discuss the impact of the social and political problems of France in the 1750s as an inspiration for Quesnay's work or, for that matter, the work of other Physiocrats. (His subsequent contribution to the round-table discussion does better on this score). Cartelier's essay opens promisingly with praise of Loic Charles's and Philippe Steiner's work on Quesnay's politics (in an unpublished paper), but this topic is unfortunately not further explored in what is really a somewhat formal study of the *Tableau* under the title, 'Power and Wealth'. Only its conclusion glibly asserts that economics and politics are difficult to distinguish once the subject of 'the natural order' is placed on the agenda (p. 130). Vaggi's essay once again elaborates the view that the economics of Physiocracy is essentially that of a developing country suffering a century-long period of decay, to be repaired by improving productivity and output in the agricultural sector. This has political

implications, but these are not explored, apart from an approving reference to Charles's and Steiner's unpublished paper on the topic of Quesnay's politics at the start of the essay. This leaves Klump's interesting account of Pierre Poivre's (1768) treatise on eighteenth-century 'Physiocracy' in China and South-East Asia, concluding the second part of the book on a more novel note for this reader.

Part III provides examples of co-evolution of political ideas and economic thought in different countries and periods. It starts with a discussion of political-economic reform in Sparta (by Christos Baloglou), looks at economic theory and political philosophy in Enlightenment France (by Jean Cartelier, who examined this only with reference to Quesnay and Rousseau); Italian economic theory and policy in 1750-1850 (by Herbert Pruns); and a comparison of the liberalism of Henry Carey with that of Francesco Ferrara (Daniela Parisi) and, by far the best essay in the book in my view, the fate of the Austrian *Zeitschrift für Nationalökonomie* as the end of an era (Kurt Rothschild). The last links the demise of a prominent (or core) journal in the German-speaking world between the two world wars to the gradual decline of the Austrian school after the deaths of Menger, Wieser and Böhm-Bawerk, the 1938 *Anschluss* of Austria engineered by the German Nazis with Austrian Nazi support, and the journal's final disappearance through the transference of what remained of the Austrian school to England and North America during the second world war and after. This story is told extremely well, and it is ironic that it is the only paper in the volume not given at the Darmstadt conference but at the previous ESHET Conference in Valencia. On this precedent, and given its laudatory citation in Part II, the editors ought at least to have tried to include Charles's and Steiner's 2000 paper on Quesnay's politics.

The next two parts contain two essays each. Part IV is devoted to Russian economics, with one essay dealing with patristic legacies in Russian economic thought and their significance for the contemporary transformation of Russia's economy and society (by Joachim Zweynert), and the other (by Vladimir Avtonomov) rapidly surveying specific interrelations of politics and economics in Russian history from Tsarist times to post-communist Russia, a heroic feat for a paper of just over ten pages. Part V combines two sets of reactions to the Great Depression. The first essay examines that of Irving Fisher (by Giovanni Pavanelli); and, totally differently, its second essay (by John King) examines the depression-inspired plans for social abundance through socialist reconstruction in Britain (1942-45) by Joan Robinson and Nicky Kaldor. The last was particularly interesting to me because of its comprehensive review of the popular economic writings produced by Joan Robinson during the war, largely during 1943. Section VI is also a good curtain-raiser to the Jérôme Adolphe Blanqui Lecture which its presenter, Daniele Besomi, devoted to 'Harrod's dynamics in the making'. This succinctly links Harrod's trade cycle material of the mid-1930s to the dynamics and growth models he developed subsequently during his life. It also is a clear, well-written account, concisely summarising, and supplementing, the contents of Besomi's authoritative 1999 book, *The Making of Harrod's Dynamics*. The round table (whose contents have already been mentioned) forms the concluding Part VII.

What do we make of this volume as a whole? I personally found it a very mixed bag, not always making the most interesting reading. In some ways, and had I been the editor, I would have omitted some of the included papers to allow space for a more extensive overview of the volume as a whole than the brief editorial introductions actually do. Moreover, the section on the Physiocrats would have been greatly improved if the apparently valuable work on Quesnay's politics (by

Charles and Steiner) had been included, and if Cartelier's second paper on economic theory as political philosophy in enlightenment France had been more broadly based. Where, for instance, in that discussion, were Gournay, Turgot, Necker, Morellet and Forbonnais, to name but a few of its many omissions? However, it is undoubtedly useful to have such a conference volume, bringing together the papers devoted to an interesting and important conference theme. In spite of this remark, and without knowledge of the pool of papers presented at Darmstadt the editors were able to draw on, selection and introduction (by the editors) seem to me not as good as they possibly could have been.

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<p>David Laidler. <i>Macroeconomics in Retrospect. The Selected Essays of David Laidler</i>. Cheltenham, UK, and Northampton, MA, USA: Edward Elgar. Pp. xxii + 433. ISBN 1 84376 384 2. £79.95.</p>

J. E. King*

'I have taught the History of Thought off and on from the beginning of my career', David Laidler writes in the Introduction to this entertaining and informative volume, 'starting with a full semester graduate course at Stanford in 1964, where I was a last minute replacement for Paul Baran after his sudden death' (p. ix). Laidler's research in the history of monetary economics began just a couple of years later and has continued ever since. *Macroeconomics in Retrospect* contains 19 essays, previously published between 1972 and 2004 but sensibly arranged in rough chronological order of the subject matter, beginning with Adam Smith and ending with monetarism; the final chapter is by way of a methodological epilogue, defending the value of studying the history of economic thought for macroeconomists. The title is just a little misleading: there is nothing much here on economic growth, non-monetary trade cycle theory, international trade or development issues, and *Monetary Economics in Retrospect* would have been a more accurate (but less marketable?) guide to the contents.

The first four papers are on classical monetary theory, as represented by Smith (chapter 1), Thornton and Bagehot (chapter 3) and Tooke (chapter 4); chapter 2 is devoted to 'rules, discretion and financial crises in classical and neoclassical economics'. The next five cover the late nineteenth and early twentieth centuries, including Marshall (chapter 5), the German hyperinflation (chapter 7), the two-interest-rate model (chapter 8) and the Austrian and Stockholm schools (chapter 9); chapter 6 reprints Laidler's provocative opening lecture at the 2001 ESHET conference in Darmstadt, where he used the example of bimetallism to demonstrate that the Quantity Theory was not always a doctrine for conservatives.

The long shadows of Keynes, Friedman and Lucas fall over the second half of the book. Chapters 10 and 11 deal with Hawtrey, Harvard and Chicago, and the delightfully irreverent chapter 12 on the long history of wage and price stickiness in

the macroeconomic literature from Hume to Pigou proves that while New Classical Economics may indeed be New, it certainly is not Classical. In chapter 13 Laidler asks what was new about liquidity preference theory (less than you might imagine). This is followed by a secret history of the Quantity Theory in the Radcliffe Report (chapter 14), a brief account of Hicks's later monetary theory (chapter 15) and – the only paper not devoted to monetary economics, narrowly defined – a chapter from the Richard Lipsey *Festschrift* on the emergence of the Phillips Curve as a policy menu (chapter 16). As already noted, chapters 17 and 18 take a critical look at monetarism as an historical phenomenon, and chapter 19 criticises Lucas, Sargent and Wallace for taking extreme rhetorical liberties with the history of economic thought.

There is never a dull moment in David Laidler's essays. He writes relatively thick history, emphasising complexities and paradoxes, but with a very sharp pen and very strong opinions, forthrightly expressed. As an outsider, I was fascinated by the revelation of what seem to be deep fissures within the monetarist camp: Laidler's sympathies lie with the more nuanced analysis of Karl Brunner and Alan Meltzer, as opposed to the cruder and more populist approach of Milton Friedman. Laidler takes Friedman's references to general equilibrium much more seriously than most, arguing that he had thereby constructed a Trojan horse within which the New Classical invaders were able to launch their assault on the monetarist citadel: 'This Walrasian real economy of Friedman's 1969 essay, which is perhaps subject to *aggregate* stochastic shocks, and in which a demand for money derives from *individual* uncertainty, is not quite Lucas's New-classical system of (1972-1973); in particular, Friedman's reference, by no means the only one in his writings of this period, to "the solution of a system of Walrasian equations", should not be read as an early and conscious endorsement of Lucas's later insistence on equilibrium modeling. But it is nevertheless a manageable step from Friedman to Lucas, much more so than from Brunner and Meltzer to Lucas, for in their work the system of monetary exchange is explicitly presented as an alternative to the Walrasian system' (p. 384).

Laidler's critique of the New Classics is as vigorous as anything that can be found in the Keynesian literature: 'New-classical economics was most assuredly good economics. The trouble was (and is) that its distinguishing predictions were inconsistent with the facts and that, as Karl Brunner (1989) made abundantly clear, a good deal of the problem stemmed from its refusal to postulate money wage and price stickiness. Its exponents have, therefore, either turned to "real" business cycle theory, which relies on applying the theoretically flawed concept of an aggregate production function to the very problem area, namely the cycle, where its flaws are most likely to prove misleading, and/or have begun to re-introduce the idea of money-wage-price stickiness into their models' (p. 283), thus raising the prospect of an impending merger between New Classical and New Keynesian macroeconomic theory. Old Keynesians get off lightly by comparison with this (and Post Keynesians barely rate a mention).

This is a valuable collection. It is for the most part well produced, though the quality of the photographic reproduction is not always up to Elgar's usual high standards, and I would have liked a subject index in addition to the five-page name index. Anyone with more than a passing interest in the history of monetary macroeconomics, though, will benefit from reading it.

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Warren Samuels (ed.). *European Economists of the Early 20th Century, Volume 2: Studies of Neglected Continental Thinkers of Germany and Italy.* Cheltenham, UK, and Northampton, MA, USA: Edward Elgar, 2003. Pp. xiii + 307. ISBN 1 85898 810 1. £75.

Michael McLure*

The second volume of *European Economists of the Early 20th Century* deals with some hitherto neglected German and Italian thinkers. On the book's cover, Warren Samuels is credited as the 'general editor', although the inside page indicates that the 'co-editors' for this volume are Y.S. Brenner, Riccardo Faucci, Harald Hagemann, Claude Menard, Bo Sandelin and Jan Simonis. The second volume is intended to complement the first volume (Samuels 1998), which considered some neglected thinkers from Belgium, France, the Netherlands and Scandinavia.

The objective of this volume is to revive interest in a number of neglected economists to extend the picture of continental economics in the early twentieth century beyond that typically associated with the more well-known contributions of the luminaries from that period. The thirteen entries have been arranged in alphabetical order, rather than being designated by country, because eliciting national styles was not part of the design strategy (Samuels 2003, pp. x-xi). Nevertheless, for the purpose of this review, it is helpful to note that the German scholars considered in the volume comprise Carl Dietzel, Rudolf Hilferding (an Austrian by birth, but subsequently a German citizen), Alfred Kähler, Georg Friedrich Knapp, Emil Lederer and Günter Schmölders; and that the Italian scholars considered comprise Costantino Bresciani Turrone, Gustavo Del Vecchio, Giovanni Demaria, Antonio Graziadei, Achille Loria, Angelo Messedaglia and Umberto Ricci.

Although the economic theorists considered may have been somewhat neglected, it is nevertheless relevant that they have not been forgotten, especially not in their home countries. For example, in Italy, the 'young' scholar who presents the best paper to the annual conference of the *Associazione Italiana per la Storia del Pensiero Economico* (AISPE) is currently awarded the 'Costantino Bresciani Turrone prize' and a special session of the 2003 AISPE conference in Brescia was convened to discuss the work of Umberto Ricci. Also, while eliciting national styles is not a goal of the editor, it has emerged that the implied contrast between the German and Italian styles is perhaps the most compelling feature to emerge from a general reading of the entire volume. A unifying feature of the German scholars is that none followed an orthodox neoclassical line, whereas in Italy the Lausanne school influenced many aspects of early twentieth-century economic thought. For example, the contributions of Bresciani Turrone, Del Vecchio, Demaria and Ricci considered in the book would clearly fall within the neoclassical tradition. However, the Lausanne heritage in Italy did not limit the scope of economic enquiry (as in the case of the formalist equilibrium approach developed in the mid-twentieth century, often by Europeans residing in the United States), as many theoretical issues were considered that are not typically associated with neoclassical economics, especially with Del Vecchio, Demaria and Bresciani Turrone giving extensive treatment to issues relating to economic dynamics and

fluctuations. This suggests that, in Italy, orthodox economic theorists typically understood the limits of static general equilibrium economics, and searched for ways of complementing or extending static economics to deal also with dynamic phenomena, including matters related to the role of money in the economy. German scholars featured in the volume were similarly interested in economic movement and money (and also technology), but unlike the Italians their analysis had little, or nothing, to do with the Lausanne school.

Consequently, *European Economists of the Early 20th Century* is a recommended book because it provides the opportunity for monolingual English-speaking scholars to review works by important, albeit less well-known, German and Italian scholars, and unintentionally sheds considerable insight into the national economic styles in these two countries. It is also relevant that the general format of individual entries is most satisfactory. Each entry is devoted to a single theorist and, in general, commences with a biographical sketch, followed by some review of their main contributions and discussion of their significance. The entries are of high quality as they are authoritative, well-written and easy to follow, although the entry on Emil Lederer labels figures in the text with symbols before the symbols are defined (in the mathematical appendix at the end of the entry).

Finally, readers should be advised that this is a very loosely defined collection. While the title of the book refers to the early twentieth century, there are entries on earlier contributions, such as those of Carl Dietzel (1829-1884) and Angelo Messedaglia (1820-1901). Furthermore, there is some discussion of nineteenth-century contributions by economists who continued to make contributions in the early twentieth century, such as Achille Loria and, to a lesser extent, Georg Knapp. One could also object that some noteworthy economists (such as Luigi Amoroso or Maffeo Pantaleoni) are missing from the collection whereas other, perhaps less noteworthy, economic theorists are included. However, this is largely a consequence of the general and exploratory character of this project, with Samuels having no intention of ranking or linking individual theorists. Furthermore, the value of this book for historians of economics lies less with who has been considered than it does with revealing something of the context within which major works (not treated in this study, but of which most readers will be familiar) emerged, and the implicit legacy of these major works. Consequently, while it is possible to take issue with who has, and who has not, been included in the volume, any shortcoming in this regard would represent a minor defect relative to the more important contributions which clarify the context of the development of economics in Europe and, implicitly, reveal interesting similarities and differences between the German and Italian styles.

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Samuels, W.J. (ed.). 1998. *European Economists of the Early 20th Century: Studies of Neglected Thinkers of Belgium, France, the Netherlands and Scandinavia*. Cheltenham: Edward Elgar.

Samir Amin. *The Liberal Virus: Permanent War and the Americanization of the World*. London: Pluto Press. 2004. Pp. 127. ISBN 0 7453 2359 6 pb; ISBN 0 7453 2360 X hb. £9.99.

Anitra Nelson*

Previous works by Samir Amin, such as *Accumulation on a World Scale* (New York: Monthly Review Press, 1974) and *Unequal Development* (New York: Monthly Review Press, and Brighton: Harvester, 1976), have analysed the contorted development of capitalism in the South from a historic and economic perspective. Amin – currently Director of the Third World Forum in Dakar (Senegal) – is a creative and critical Marxian scholar. The highly political and ideological character of this work belies his materialist analysis.

The Liberal Virus is a short, punchy, and provocative work suitable to set as a reading for a tutorial or as the focus of a panel discussion. It addresses the contemporary interplay between international economic and political powers and is a call to action. Amin identifies the dominant (and malevolent) global force as the United States of America, buttressed by Europe and Japan (the Triad). This hegemony aims at ‘securing military control of the planet’ (p. 75), which is critical to support the economy of the United States. Tony Blair typifies this position; he is prepared to ‘defend the liberal option and accept the leadership of the United States, almost without condition’ (p. 92).

Besides contemplating Amin’s specific proposals, the work elicits theoretical questions on interactions between the political, ideological and economic arenas, which are referred to by Marxians as ‘superstructure’ and ‘base’ respectively. These concepts frame and deconstruct discourse at the level of international economics. For instance, Amin argues that European developments have respected the relative autonomy of the economic and the political but that Europe is under increasing pressure to replicate the singular focus of American ideology on the market. Amin proposes that liberty has a violent character today and he calls for a concerted movement to restrain and contain the power of the United States.

The first three chapters act as a preamble for the main theses in the final two chapters of *The Liberal Virus*. The first chapter defines the question in its most abstract terms, that is, that contemporary capitalist politics is dominated, contained and contorted by economics. Liberal economics is a ‘para-science’ (p. 11), an ideology: ‘its function is no more than to legitimise capitalism by attributing to it intrinsic qualities which it cannot have’ (p. 15).

In his chapter, ‘The Origins of Liberalism’, Amin distinguishes American liberalism, which rotates around individual liberty, private property and production for a global market, from European liberalism, which is tempered by the value of equality promoted historically by workers’ struggles. ‘American society despises equality,’ writes Amin (p. 59), ‘but Liberty without equality is equal to barbarism’. In the face of such a threat against all humanity, Amin argues for a European project that respects basic needs and values and is supported by the combined power of countries from the South.

While proposing a way forward, Amin traces the centuries-old history of the ideological and material forces that have contributed to global interactions today. For instance, he comments on the rise of Protestantism and on the American Revolution, contrasts the meanings attributed to the Reformation by Weber and Marx, and analyses the conservative communitarian current in the United States.

Amin labels the tweedledum-tweedledee presidential and party structure of politics in the United States as 'low-intensity democracy', an ideal that it advances the world over. Half of the United States' citizens fail to vote, suggesting that they consider the political system offers little choice. Deprived of efficiencies that Amin argues result from public delivery of social services, they also suffer greater risk of incarceration and racism than elsewhere. In short (p. 68): 'The combination characteristic of the historical formation of United States society – dominant Biblical religious ideology and absence of a workers' party – has finally produced the unparalleled situation of a de facto single party, the party of capital'.

Amin opposes the thesis proposed in *Empire* by Michael Hardt and Antonio Negri (Cambridge, MA: Harvard University Press, 2000), who accuse the United States of a holistic imperial venture. Instead, Amin suggests that the power is specifically interested in primitive accumulation; democratisation is a cover for not only access to markets but also outright exploitation. Therefore the World Bank is simply an instrument of the United States. Further, this is not a strong power wanting more, but a weakened power fighting for economic survival, testified by the financial deficit and external debt of the United States.

In the final chapter Amin presents three challenges and discusses appropriate responses and the risks of pursuing them. The first is to redefine the European project so that regional powers reappropriate their economic and political advantages to design their own futures:

I would give top priority to the construction of a political and strategic alliance between Paris, Berlin, and Moscow, extending it, if possible, to Peking and Delhi. I expressly say political, with the objective of restoring international pluralism and the UN to all their proper functions, and strategic, with the objective of constructing together the military forces capable of meeting the American challenge. These three or four powers have all the requisite technological and financial means, strengthened by their traditional military capabilities, to construct such forces, before which the United States would appear much weaker. The American challenge and its criminal ambitions force this response. (p. 95)

The second challenge is to marshal the peoples of the South behind a similarly democratic and self-interested front that would resist military interventions by the United States, replace flexible exchange with regional mechanisms to stabilise exchange rates and regulate foreign investment, promote local agricultural development to satisfy local needs, demand a moratorium on crippling foreign debts, and create a fair international legal system to regulate future international relations with respect to credit and debt.

The third challenge, to reconstruct a peoples' internationalism, comprises nine tightly argued hypotheses: transnational capital requires a singular support to manage the world market; the parasite economy of the USA is supported by force if not consent; the military might needed to support the economy of the dominant power threatens humanity; the South must pursue autocentred development (a concept elucidated in Amin's previous works and associated with social progress);

Europe and Japan would do best to ally themselves with Russia, which can offer oil and other basic supplies; a popular social, humanist and democratic movement must arise in Europe; similarly an assertive movement from the South must involve democratisation; so the grounds will exist for a new internationalism 'crystallized at the international diplomatic level by stabilizing the Paris-Berlin-Moscow-Peking axis, strengthened by the development of friendly relations between the axis and the reconstituted Afro-Asiatic front' (p. 111); finally, cultural diversity will challenge the values on which our joint futures depend and demand the development of 'genuinely universal concepts' through popular processes (p. 112).

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Daniele Besomi (ed.). *The Collected Interwar Papers and Correspondence of Roy Harrod, Volumes I-III*. Cheltenham, UK, and Northampton, MA, USA: Edward Elgar, 2004. Pp. lxxxv + 1557. ISBN 1 84376 366 4. £350.

J. W. Nevile*

Harrod is probably the most underrated economist of the twentieth century. Far from being just the first half of Harrod-Domar, who produced the first Keynesian growth model, Harrod made important and lasting contributions to the theory of the firm, international economics and trade cycle theory. His writings on economic methodology were insightful if not as influential as much of his other work. Most importantly, it was his work that inspired the revival of growth theory in the middle of the twentieth century. The neoclassical theory, which became dominant, was a reaction to his model. His insistence that economic dynamics was about rates of growth determined the nature of growth theory, prevailing over the view, more fashionable in the 1930s and 1940s, that the essence of dynamic economics was dated variables, lags and period analysis. Moreover, unlike most of the growth models that followed it, Harrod's theory was not just about equilibrium rates of growth corresponding to equilibrium positions in static economics. It included analysis of disequilibrium situations. Harrod's wide range of contributions and unique position in the development of economic dynamics give the publication of the three volumes under review the potential to be a major milestone in the production of resources for scholars in the history of economic thought. Besomi's deep knowledge of Harrod's work and his meticulous scholarship have ensured that this potential is more than amply fulfilled.

Volumes I and II contain the correspondence of Harrod from 1919 to 1939. They also include an editorial introduction and a general introduction. There is a very useful index of letters by correspondents and an index of letters by first line, which is not very useful, since the majority of first lines give no clues as to the subject matter of the letters, and indexing by the first letter of the first line produces a largely random order. There is, however, a name and subject

index at the end of Volume III. Also, most of the letters and other documents referred to in editorial footnotes are reproduced in an electronic version. This can be reached via the Harrod Home Page at <http://eco.unipv.it/harrod> enabling any type of searches that one desires. Researchers are also helped by a description, in the editorial introduction, of the contents of each of the main repositories of the documents Harrod 'hoarded', to use his own term, and a list of the most important repositories where Harrod's extant letters are held (much of the editorial introduction has already been published as Besomi 2003). Finally, a bibliography of Harrod's publications to 1939 and a list of references for books and articles cited at least five times in the editorial notes is included in the first volume and is repeated for convenience in each of the following volumes. It would have been better to print this material only once, to omit the index of first lines and use the space saved to include a full, or at least fuller, list of references.

The general introduction includes a statement of the goals of the three volumes, which were compiled 'with the purposes of contributing to the understanding of Harrod's intellectual biography, of disclosing the experiments of thought taking place in his mental laboratory, and of providing additional details in his intellectual environment' (pp. lviii-lix). (All page numbers refer to the volumes under review, unless otherwise referenced.) Most of the general introduction is in effect Besomi's essay in response to the questions raised in pursuit of the goals set out in this quotation.

Harrod and his contemporaries seemed to write letters in much the same way as academics today send emails. For example, one included is from a colleague at Oxford, Meade, setting out in a more coherent form a position Meade had put in a lunch-time discussion earlier in the day that the letter was written. Many others contain less detailed expositions of a point and simple messages, which, in the period between the Second World War and the widespread use of email, would probably have been conveyed by phone. This use of the mail, combined with Harrod's penchant for 'hoarding' have produced thousands of letters which could be included. Largely in line with the goals he set for his work, the criteria for selection adapted by Besomi is 'to reproduce the documents which provide insight into Harrod's career as an economist, his contribution to this subject, his philosophical interests, his political passion and activities and the debates in which he was engaged' (p. xxxviii). However, notice that Harrod's political concerns and activities have been explicitly added to the things of interest. They help understand his interest in particular areas of economics. For example his interest in international economics was revived by the political controversy about tariffs in 1931 (pp. 136-7).

Nine hundred and thirty-nine letters are included. About half of these are reproduced in full and the others summarised, sometimes including a quotation. The most numerous exchange of letters is with Keynes, comprising about 15 percent of all the letters included. Keynes did not habitually send his work to Harrod for comment but he did send him the galley proofs of the *General Theory* and the famous resulting exchange is included in full in Volume II. Keynes commented on much of Harrod's work, partly because of his position as editor of the *Economic Journal*. Harrod's 1939 path-breaking article in that journal was heavily influenced by Keynes, as Besomi (1999) has already established. Keynes commented on much else, including Harrod's 1936 book on the trade cycle (pp. 646-54). There is no doubt that Keynes regarded Harrod as

one of his brightest pupils and thought his interpretation of the relationship between the *General Theory* and what Harrod called the traditional theory was much the best by anyone outside the 'Cambridge Circus' (see, for example, pp. 580-1). Keynes also took an active interest in Harrod's career as an economist (p. lxxv).

The person Harrod turned to most often for comments on his work appears to have been D.H. Robertson. There are over 80 letters to or from Robertson on a wide variety of topics. Joan Robinson is the correspondent with the third largest collection of letters, slightly ahead of Meade, giving Cambridge the first three places in this particular league table. (This is not surprising. Having been appointed to a lectureship in economics and history at Christ Church, Oxford, when he was quite innocent of any knowledge of the first subject, Harrod spent a term – on three quarters salary – at Cambridge where Keynes acted as his tutor, setting him weekly essays, and where he became friends with Ramsey and a philosopher, R.B. Braithwaite. He also spent a term in Berlin but seems to have spent more time discussing philosophy than learning economics (p. lxi)). Apart from correspondence with these four, the most significant sustained exchange of correspondence is with Haberler on the trade cycle and related topics, for example the definition of savings and investment. As well, other well-known economists figure prominently, notably Henderson, Kahn, Kaldor and Marschak.

The letters provide material for much detailed research and contain many insights and other memorable passages. Perhaps my favourite is when the young Harrod complains that the chores of academic life have 'come to absorb everything and the important questions are discussed as a mere pastime in an odd hour off. It is very revolting. It is hideous' (p. 38). Overall, the letters not only reveal the development of Harrod's thought on economics and other matters, they also throw some new light on the milieu in which these ideas were developed and on the thought of many of his contemporaries.

Volume III has two substantial sections. One contains 22 unpublished essays, notes, memoranda and preliminary versions of published papers. The other consists of 36 articles and letters Harrod wrote for the press over the period 1932 to 1939. In addition, in this volume there is the name and subject index already mentioned, a 'biographical register' with a paragraph on each of Harrod's correspondents and a list of documents not found.

The material in Volume III certainly helps establish the development of Harrod's thought, but the overall picture gained from this volume is the importance of political and policy matters to Harrod. For those like this reviewer, who are more familiar with Harrod's post-World War II conservative persona, the surprise is the extent to which, in the interwar period, Harrod was 'left of centre' by modern standards. While he staunchly upheld market-oriented doctrines such as free trade (see, for example, pp. 136-7, 1093), Harrod did not believe in thorough-going *laissez faire*. In the first of the essays in Volume III, dated 1924, the last two sentences (p. 1020) are very reminiscent of Keynes's call for the euthanasia of the rentier. In the last essay, dated 1939, he confesses that he is a socialist in the broad sense that he believes that the unequal distribution of wealth cannot be justified (p. 1230).

Another thing that Volume III makes clear is the extent of Harrod's concern about the declining British population. Eleven of the 36 press items are on this subject. Joan Robinson pointed out that Harrod's concerns were more due to

his patriotism than to the economic consequences of population decline (p. 750) and, despite the comments in the previous paragraph, Harrod often sounds decidedly 'Tory' in the population debate.

So far the content of the various volumes has been discussed. What are the impressions one might take away from these three volumes as a whole? The first must be a respect for the scholarship and attention to detail in the editorial notes which will make these three volumes such a valuable resource to scholars in the history of economic thought. Secondly, there is the picture of the discipline of economics in turmoil as so much in the core of the discipline changed so rapidly, before as well as after the challenge of the Great Depression of the 1930s. The theoretical developments of the 1920s and 1930s are well known, but these volumes give some feeling of both the excitement and turmoil in the minds of academic economists at the time: an intellectual life some would regard with envy and others perhaps with horror. Consider Harrod's lament 'If the *Treatise* is to be put in cold storage what are we to teach?' (p. 320) or Robertson's concern about the attenuation of 'generally accepted doctrine' (p. 198).

When one turns to Harrod himself, the picture painted has several outstanding features. As an undergraduate at New College Oxford, Harrod obtained first class honours, first in Classics and Philosophy and then in Modern History. Philosophy was the academic subject that he was absorbed in and politics a great nonacademic interest. His original intention on graduating was to qualify as a barrister, to facilitate his selection and election as a Liberal Member of Parliament (pp. 10-11). However, lack of family income ensured that he took a salaried position in economics rather than pursuing further study. Nevertheless, philosophy remained a major interest in his life, as shown by his publications and letters such as that to Moore (p. 454). Politics also remained a passion. For some years after he started lecturing, Harrod did not find economics a congenial subject (p. 87). However, his motivation as an economist must have been greatly increased by the realisation that sound policy-making with respect to many of the urgent issues of his day must be based on sound economics. It is no coincidence that, apart from writings on methodology that were inspired by his love of philosophy, Harrod's economics almost always had an immediate connection to policy. Even his most abstract work (dynamic economics) he thought of 'urgent and vital relevance' to policy-making especially in the United States (Harrod 1948, p. vi).

Harrod's left-of-centre political views in the interwar period contrast with his conservative instincts as an economist. As far as possible, Harrod presented his innovative ideas as natural developments of the existing corpus of knowledge and urged others to do the same (see, for example, p. 320). Harrod argued that this would make them more readily acceptable both to the general public and to other economists, but it also reflected his own position on the way economic theory should advance. Throughout the interwar period he remained an avowed Marshallian economist. His 1937 article on 'Mr Keynes and Traditional Theory' explicitly (and correctly) interpreted the *General Theory* in a Marshallian way. In that article, and in his theorising on dynamic economics, Harrod's aggregate analysis was firmly linked to microeconomic behaviour. Samuelson's neoclassical synthesis used Hicks's Walrasian interpretation of Keynes. This is quite unsuitable as a basis for policy making, especially as used in textbooks (Nevile 2000). If Harrod's interpretation had been more influential and that of

Hicks less so, economic theory may have developed more soundly in the second half of the twentieth century.

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L. Randall Wray (ed.). *Credit and State Theories of Money: The Contributions of A. Mitchell Innes*. Cheltenham, UK, and Northampton, MA, USA: Edward Elgar. 2004. Pp. x +271. ISBN 1 84376 513 6. \$US59.95.

Christopher J. Niggle*

Institutionalist and Post Keynesian economists such as Randall Wray (1998) and Stephanie Bell (2000) began calling our attention to the Chartalist approach to monetary economics in the late 1990s; they claim that this approach offers superior insight into the historical origins of money, its essential nature, and the design of monetary and fiscal policy. They find elements of Chartalism (from the Latin *charta*, ticket, token, piece of paper) in the monetary economics of Adam Smith, Keynes, Schumpeter, Polanyi, Abba Lerner, Dudley Dillard, Charles Goodhart and Hyman Minsky. This book presents the Chartalist version of the origins of money and its critique of orthodox monetary economics, focusing on the contributions of one of the early Chartalists, Alfred Mitchell Innes, a British diplomat and financial adviser.

The essence of Chartalism is the argument that all forms of money are tokens issued as a form of credit-debt (the 'credit theory' aspect of Chartalism), and that states confer superiority on particular forms of money (credit-debt) by accepting them as payment for tax liabilities (the 'state theory' aspect of Chartalism). States give a name to the unit of account; its exchange value is either determined by the state setting the money price of key commodities such as grain, land rent or labour, or influenced by the state through the effects of fiscal and monetary policy. The exchange value of the unit of account has no connection to a commodity (as in 'commodity theories') or to a metal ('metallist theories'); the unit of account is always a creation of the state (the 'state theory' of money). Money first appeared as a unit of account defined by the state for purposes of taxation and

economic coordination; it was later used as a medium of exchange with the rise of market economies.

Wray's previous book adopting a Chartalist perspective (1998) demonstrated the theoretical usefulness of the Chartalist approach to the analysis of unemployment and inflation. The current book reprints the original and influential articles by Innes (first published in 1913 and 1914), and presents contributions reflecting on, extending, and criticising Innes's work. The early Chartalists, including Innes (who emphasised the credit origins of money) and G. Frederick Knapp (1905, identified with the state theory), relied upon the work of archaeologists and historians who had discovered evidence of contracts, debts, levies and taxes denominated in units of state money-of-account in ancient and early modern societies.

That research shows that the earliest examples of writing appear to record money debts, credits and payments contracted in the third millennium BCE in Egypt and Sumer. Most examples involve either the state temple issuing money (its debt) in exchange for goods or labour, levying money taxes on communities, tribes or merchants (debt to the state), or someone accepting money in payment for a private debt. The state temples organised agriculture, irrigation and construction projects; this required defining units of measure for weights, volume, length, labour and unit-of-account prices for products and labour. The state temples set money prices for key commodities (labor, grain and land rent). These activities appear to predate the rise of market economies and general commodity exchange. Money-of-account for payment of debt appears to predate money as a medium of exchange; this is in sharp contrast to the textbook story, in which money is a social invention which reduces transaction costs for producer-traders in societies with a social division of labour. Rather than spontaneously created by utility-maximising producers, money is an integral part of the rise of social stratification and class societies (hydraulic engineers, priests, scribes and the king versus the larger population), debt-taxes, and inequality (between the population-debtors and the state-creditors). Money is essentially a social relation rather than a thing.

Wray considers Innes's two articles 'What is Money?' (1913) and 'The Credit Theory of Money' (1914) to be the 'best pair of articles on the nature of money written in the twentieth century,' and contrasts his views favourably with the approach taken by mainstream economics. 'What is Money?' begins with a critique of Adam Smith's story of the origins of money, which appeared in Aristotle and is found in most economics textbooks: the division of labour led to the need for exchange, the need for exchange led to the creation of a commodity-based medium of exchange to replace barter; metallic money dominated because of superior intrinsic qualities; metallic money and coinage were eventually replaced by paper currency representing metal; paper currency is issued as credit-debt but is still linked to metal (or ought to be, as in a gold or silver standard). Money is a social invention which increases efficiency by reducing transaction costs in exchange relations.

Innes argues that money is always issued as the issuer's debt, no matter the form – coin, tally-stick or paper – and defends his proposition with a lengthy discussion of money in ancient Rome, Greece, Carolingian France and early modern Britain and Europe. Money appeared first as a unit of account for a debt, not as a medium of exchange. Its value and acceptance is determined by its ability to discharge a debt, ultimately a debt to the state, and is not linked to metal. Money's value is stable in societies with strong states able to enforce tax collection.

The most common forms of money in those societies were tokens with no intrinsic value: tally sticks, coins and paper instruments such as bills of exchange. Tally sticks and paper instruments denominated in units of account were issued by the state, merchants and producers. Coins representing units of money-of-account such as livre/pound, sou/shilling, donarius/penny, were usually issued by the state to pay small debts such as soldiers' wages; these were acceptable for taxes as well. Those coins were of widely different weight and composition within a nation or trade area and often changed by state decree; there was no stable relationship between their name and metallic content or weight. Only in recent times have countries attempted to peg the exchange value of their money unit to a quantity of metal, with disastrous results (deflation and so on). The exchange value of the tokens was ultimately determined by their acceptance in payment for taxes; sovereigns often arbitrarily reduced their value by decree as a form of reducing their own debt.

Most payments of debts among merchants, producers and the state were made through settlements of tallies and bills among money traders and bankers, most often at periodic fairs (held in or near temples and churches in most societies), at which markets for products also appeared. Retail sales were usually settled periodically as well (merchants and enterprises such as alehouses kept tabs), with little daily use of coin or paper money. Eventually the development of a postal system and bank clearing practices replaced the fairs; but the essential process still involved payments made as settlements or debt-clearing using tokens of indebtedness. A parallel circulation of state-issued money (coins and sovereign tallies and paper) and merchant-bank issued money (tallies and bills) was common.

Innes's second article 'Credit Theory of Money' was a response to the attention paid to his first article (which Keynes reviewed approvingly in the *Economic Journal*) and reinforces the same propositions: money represents abstract value ('no one has seen a dollar'); money is issued as credit (debt); its value is determined by its ability to satisfy a debt somewhere in the economy; the necessity to pay taxes in particular forms of money enhances their value; state money's value is determined by the state's ability to collect taxes, while other money forms have different degrees of convertibility into state money.

The chapters by John Henry, Michael Hudson, Geoffrey Gardiner and Geoffrey Ingham incorporate and respond to recent research on the connections between money, taxation, agriculture, irrigation systems, religion and the state in ancient Egypt and Sumer done by archaeologists, philologists and economic historians.

Henry's 'The Social Origins of Money: The Case of Egypt' begins by contrasting 'metallist' theories of money which see money as a 'thing' (a commodity, metal or coin, or a token representing one of them) which is understood as the result of a technical development increasing efficiency in exchange, with theories that stress money appearing as a unit of account representing an obligation and social relationship between creditors and debtors. The latter theories see exchange and money as secondary in importance in the origins of money, and they call attention to the inequality in the relation between creditors and debtors; the debtors must meet obligations – pay debt or taxes – with money. Henry uses ancient Egypt as a case study; he argues that money appeared during the transition from an egalitarian to a stratified society in the third millennium BCE. He shows that the rise of social obligations imposed upon villages and tribes by the religious-political-administrative élite was connected with

the use of money-of-account to measure and collect levies-debts-taxes to the king-state-temple authority, administered by scribes. And he presents evidence that this use of money appears to precede markets for commodities, labour and land; ancient Egypt was a money-using society before it developed a market economy. The central authorities administered and coordinated economic processes (agriculture, irrigation and construction) using money.

Hudson's 'The Archaeology of Money: Debt vs Barter Theories of Money's Origin' uses recent research on ancient Mesopotamia to make a similar argument. Unit-of-account money was used to coordinate agriculture, irrigation and the allocation of a dependent labour force in Sumer during the third millennium BCE. The value of a unit of silver was set equal to a month's barley ration and equivalent land-unit crop yield; the silver unit then functioned as a unit of account within the command economy administered and coordinated by the central authority; temples and palaces were redistributive mechanisms. Temples and palaces were creditors for the use of resources they controlled, including land, workshops and boats; debtors settled with the state in money units. The same state money forms were used privately to settle debts among private transactors who used tabs ('slates') to keep track of obligations until the periodic settlements, done within the temple-palaces. It was a common practice for the public authority to periodically annul debts, declaring a 'clean slate'. Money was originally a legal institution, its value determined by the political-religious authority; later and consequently it was used as a medium of exchange, accepted because of its value in meeting obligations to the state. Hudson observes that this is in sharp contrast to the story told by metallists, monetarists, libertarians and mainstream economists, who argue that money appeared as an immediate means of payment in exchange developed to coordinate private exchange and utility maximisation.

Gardiner (a banker) covers much of the same ground in 'The Primacy of Trade Debts in the Development of Money'. He argues that Adam Smith's 'propensity to trade, barter and exchange' may be correct as a description of behaviour in commercial societies, but that another 'propensity to cooperate with fellow humans under the authority of a leader, a chief, or a council of elders' appears to have been more widespread historically. He stresses the importance of public institutions in regulating economic activity, observing that merchants were commonly licensed, granted official title, and regulated by the political authority in ancient societies (using the history of trade in Mesopotamia as an example).

Ingham (a sociologist) begins 'The Emergence of Capitalist Credit Money' with a comparison of the orthodox and Chartalist stories of the rise of money, then moves to a discussion of Schumpeter's claim that capitalism originated with the appearance of bank-created deposits and negotiable paper that functioned as money, along with the social relations between banker-creditors and entrepreneur-debtors. His essay stresses the importance of the story of commodity money in the ideology of capitalism; the commodity-money theory and gold standard 'naturalised' money and concealed the social relation of credit-debt and its social contrivance as capitalism developed. Ingham also provides an interesting historical account of monetary systems and the rise of modern banking in Europe after the fall of Rome which is consistent with the other Chartalist accounts; he argues that the Bank of England represents the appearance of the modern monetary system in fusing the competing state and private money systems that characterised early modern Europe.

Wray's 'Conclusion: The Credit Money and State Approach' attempts to explicitly lay out the connections between those two approaches to money, arguing that they are both similar and complementary, and superior to the orthodox theory. He repeats and comments upon the historical accounts and discussions of the ideological implications of the two contrasting approaches. Money is a social relation, not a thing; monetary systems reflect and support power relations; the orthodox theory makes a fetish of money. His essay, along with the introduction by Wray and Bell, provides a good introduction to and summary of the Chartalist approach to monetary theory, providing examples of the implications of the approach for monetary and fiscal policy.

The importance of this book for monetary and macroeconomics should be obvious; its historical evidence reinforces and supports many of the criticisms levelled against mainstream economics by heterodox economists, especially the work done by Institutionalists and Post Keynesians. It would be appropriate for graduate students, and most of the essays could be profitably assigned to undergraduates in courses such as macroeconomics, money and banking and economic history.

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Rick Tilman (ed.). *The Legacy of Thorstein Veblen*. Cheltenham, UK, and Northampton, MA, USA: Edward Elgar. 2003. Three volumes: pp. xxviii + 1699. ISBN 1 84064 722. £415.00.

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The major question confronting a reviewer of a collection of previously published articles with a common theme is, has it been done well? In other words, is there an introduction which assists us in interpreting the articles, are the articles grouped together in a useful way, is the collection comprehensive, and are the articles of good quality? But, especially in this electronic age, a second question also arises, namely should it have been done at all?

Has Rick Tilman's *The Legacy of Thorstein Veblen* been done well? The introduction certainly enhances our knowledge of Veblen in that it provides a

brief outline of his life and all his main ideas, though it is occasionally repetitive, notably with respect to Veblen on the generic ends of life, and takes a somewhat gratuitous swipe at 'Roman Catholic apologists, biblical literalists, orthodox Jewry radical libertarians of the Austrian variety, ... racists, sexists and classicists' (p. xvi). It also frustratingly denigrates the writings of Dorfman and Riesman on Veblen without at the same time giving reasons. A more serious shortcoming of the introduction, however, is that only its penultimate paragraph makes explicit reference to the rest of the book. The introduction cites nine articles or other writings about Veblen and his ideas, but does not state whether or not they are to be found in the book; in fact, five are not – if they are important enough to be cited in the introduction, one wonders why they were not selected for re-publication, especially when their authors include Theodor Adorno and Max Lerner, not to mention Paul Baran, for whom tantalisingly no reference is provided.

Since the articles are grouped together in parts, it would have been more helpful if the editor's 'Introduction' had taken the form of a brief preface to each part, indicating what the articles included in it have in common, and where they differ. Is this asking too much of an editor?

Volume I is divided into five parts: 'Origins and Basis of Veblen's Thought'; 'His Theory of Evolutionary Development and Institutional Change'; 'Theory of Human Nature'; 'Consumption'; and 'Critic of Classical and Neoclassical Economics'. Volume II is divided into seven parts: 'Veblen's Economic System'; 'On Socialism and Radical Economics'; 'Veblen as Sociologist and Social Philosopher'; 'Sociology of Knowledge and Culture'; 'Feminism'; 'Satirist, Stylist and Grammarian'; and 'On the Higher Learning in America'. Volume III, in turn, is divided into eight parts: 'His Ideal Political Economy'; 'The Role of the State in Economic Development'; 'Germany and Japan: Imperialism, War and Peace'; 'The Business/Industry Dichotomy'; 'Egalitarian Theorist of Collective Wealth'; 'Ecology and Demographics'; 'Veblen's Life and Work Reconsidered'; and 'Veblen's Intellectual Legacy'. The titles of these parts bear witness to the diversity of Veblen's writings. Sensibly, within each part, articles are ordered chronologically, with the unexplained exception of one article in Part VI of Volume II and one in Part VIII of Volume III.

The book includes eighty-seven articles in all, sufficient to be representative, though of course by no means exhaustive. While naturally some articles are of lesser quality than others, none is undeserving of a place on the ground of inferior quality. And although discussion of Veblen occupies only about four per cent of Wilbur R. Jacobs's article entitled 'The Great Despoliation: Environmental Themes in American Frontier History', it is nonetheless interesting to see Veblen's views on that subject juxtaposed with those of others.

'Critic of Classical and Neoclassical Economics' includes Sasan Fayazmanesh's 'On Veblen's coining of the Term "Neoclassical"', which begs to differ on some counts with the argument in Tony Aspromourgos's (1986) 'On the Origin of the Term "Neoclassical"'. Surprisingly the Aspromourgos article is not included, so that it has to be sought out by the reader if a fair judgement between the two is to be made. The Aspromourgos article in any case deserves inclusion in its own right, since it is distinguished by the fact that it was the first to attribute the term 'neoclassical' to Veblen. It was available.

Similarly, while E.K. Hunt's 'The Importance of Thorstein Veblen for Contemporary Marxism' and Arthur K. Davis's 'Sociological Elements in Veblen's Economic Theory' both pay tribute to, and heavily criticise, Abram L. Harris's path-breaking article on the relationship between the ideas of Veblen and those of Marx, entitled 'Economic Evolution: Dialectical and Darwinian', that article by Harris is not included in this book. Although Tilman in his introduction reasonably indicates a preference for later, and therefore better-informed, articles, his inclusion of a later, less path-breaking article by Harris, and consequent exclusion of the earlier one, robs the reader of an opportunity to make a judgement between competing views without having to dig out for themselves a copy of the earlier article (not available, for example, in La Trobe University's generally very well-stocked library).

Another hotly debated question is that of whether a coherent economic system is to be found in Veblen's writings. A number of articles in this collection present the negative case, the easier of the two to argue. Donald A. Walker, in 'Thorstein Veblen's Economic System', claims to be the first to present the positive case, arguing that Karl L. Anderson, in 'The Unity of Veblen's Theoretical System' (1933), 'concentrated on Veblen's quasi-anthropological system of past states of culture, not on his economic doctrines' (Volume II, p. 52). This reader, however, agreeing with J.A. Hobson's comment (in his review of Wesley Mitchell's *What Veblen Taught*, included in this collection) on the 'economic man' basis of contemporary economics that 'Veblen's great contribution to economic science lay in his insistence upon the wider basis demanded by his biological and anthropological studies' (Volume II, p. 33), is not convinced that Veblen's 'economic doctrines' can legitimately be separated from his 'quasi-anthropological' ones. Partly because of this I found Anderson's article much the more helpful of the two, though partly also because despite, or perhaps because of, the fact that Walker was 'Clarence Ayres' graduate student and assistant, and was therefore introduced to Veblen's work – I should say not merely introduced, but, inevitably, steeped in and saturated with it' (Volume II, p. 52), he devotes most of his article to criticism rather than exposition of Veblen's ideas.

As far as 'economic doctrines' are concerned, a highlight of this collection is Harvey Leibenstein's seminal 1950 article entitled 'Bandwagon, Snob, and Veblen Effects in the Theory of Consumers' Demand'. A bonus is the inclusion also of the complementary 1951 article entitled 'Veblen Revised in the Light of Counter-Snobbery', by Robert L. Steiner and Joseph Weiss, who however seem not to have been aware of Leibenstein's article (they make no reference to it), and who to this reader's mind make out at best an incomplete case for the view that by 1951 in the United States expensive items had been replaced as marks of distinction by 'very difficult modern art and music, and very simple primitive paintings and folk ballads' (Volume II, p. 350).

'On the Higher Learning in America' comprises articles of particular interest to present-day academics. While Veblen's 'The Higher Learning in America', which in particular criticised American universities for imitating businesses instead of pursuing knowledge for its own sake, was not published until 1918, some of it was written as early as 1904. Charles A. Beard (1918) sympathetically summarised Veblen's argument as stating that instead of fostering 'the higher learning', American university 'heads – presidents, deans, provosts, supervisors, registrars, secretaries, official bellmen [!], and

“successful” professors – take on the modes of thought and the standards of judgement as to worthiness and worth which are cherished by the directing body [namely business] from which the main source of economic sustenance is derived’ (Volume II, p. 583), though he judged Veblen’s ideal university to be utopian. Harold Laski (1919) echoed Beard when he wrote that in Veblen’s view the American university:

is dominated by business men in its management. It ministers to narrowly utilitarian ends. Its president has the qualifications for business rather than for intellectual enterprise. Its students have no disinterested zeal for knowledge. The university apes the great business organization. It lays emphasis on its quantitative output - the number of its students, the writing in bulk of its professors. It has little sense of intellectual freedom; for the necessity of promotion and the lack of security of tenure make the standards it sets rather conformity to the dominant code than free research into new possibilities Nor does control work well in the matter of appointments. It is always safe to assume that the man of good birth and glib tongue with a couple of text-books to his credit will be received with unction, where the real scholar who spends five years in testing a doubtful hypothesis is regarded as an unamiable incumbrance. (Volume II, p. 586)

While giving general support to the criticisms implied by Veblen’s description, Laski questioned whether Veblen had not gone too far in supporting research for its own sake at the expense of the utilitarian. Fifty years later Thomas Sowell (1969) concluded that the American universities of his time seemed not to have changed much from those criticised by Veblen, a conclusion also reached twenty-five years later by Arthur J. Vidich (1994). There was a time when Veblen would have found much to admire in Australian universities, but the criticisms he made of American universities a century ago are disconcertingly applicable to Australian universities in 2005.

On an even more parochial note, HETSA is justifiably represented in these volumes by two articles by Phil O’Hara; why was it not also represented not only by the Tony Aspromourgos article referred to above, but also by Tony Endres’s (1985) *HOPE* article, ‘Veblen and Commons on Goodwill: A Case of Theoretical Divergence?’?

Should it have been done at all? *Thorstein Veblen: Critical Assessment* (Routledge), edited by John Cunningham Wood, also a collection of articles about Veblen in three volumes, had been published only ten years earlier. Twenty-six articles are to be found in both collections; of the fifty-one new articles in the Tilman collection, twenty-eight are new in the sense that they were published too late to be included in the Wood collection, and twenty-three were omitted by Wood. Tilman’s collection is better (and presumably cost less) than Wood’s in that the original articles are simply photocopied, as opposed to retyped, thereby enabling reference to be made to the original pagination (as well as new pagination relating to the three volumes), not to mention eliminating the possibility of new typographical errors. Further, unlike the Wood collection, each volume usefully includes a name index. But is all this sufficient to justify the publication of a new collection, particularly since it excludes seventy-three articles included in the Wood collection, including seven reckoned by Wood to be so important that they were summarised in his volume introductions?

Finally, internet search engines have already become efficient enough for researchers to be able to find at least most of the post-1968 articles in this collection at the touch of a button; *Econ Lit*, Veblen, articles only, produces 290 entries. And while it is true that many researchers in Third World countries do not have access to either internet search engines or the journal articles they list, it is at the same time doubtful that they would have access to a library able to afford three volumes costing £415.00. The Elgar Reference Collection is planned to be extended to include books covering Irving Fisher and Ludwig von Mises; it would not be surprising if these turned out to be the last.

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