Viennese aristocracy, he first aspired to the life of a diplomat. In his later writing about social and political institutions he seems to be drawing up a manual for statecraft without a state. He knew too well that boundaries shift; that we rarely know what we think we know. His emotional temperament was one of complete detachment, while his intellect did not so much expose the flaws in others' arguments as expose their attachment to privileged assumptions: there are no "givens" that we may take for granted. This once almost-forgotten theorist, whom Lord Skidelsky realized had become the dominant intellectual force of the last quarter of the twentieth century, ended up as a professor in a provincial German university, living in an apartment very much like the ones he had lived in as a child. But of the many economists who have received the Nobel prize, few are known to a wider public; Hayek's name leads that short list.

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Walter Eltis, *The Classical Theory of Economic Growth*, second edition (Hampshire and New York: Palgrave, 2000) pp. xlvii, 373. $79.95 hb, $24.95 pb. ISBN 0 333 80300 0 and 0 333 91998 X.

This is a most welcome new edition of Walter Eltis's superb book on classical growth theory. A thirty page "Overview" has been added to this edition, but the rest of the book has been reissued substantially unchanged. The book consists of nine chapters. There are two each on Quesnay, Malthus, and Marx, and one each on Smith and Ricardo. The final chapter is a summary of the theory taken as a whole, along with some general observations on the relevance of the classical theory for modern economics. As such it tends to repeat some of the points raised in the new "Overview."

The characteristic feature of the book is its employment of the method of rational reconstruction. Using modern analytical techniques, Eltis seeks to "restate" (as opposed to simply interpret) the models of these classical economists. It is important to emphasize though, that these restatements are not translations of classical theory into the models and categories of modern mainstream mathematical economics. Calculus is kept to an absolute minimum, and neoclassical constructs such as the Cobb-Douglas production function are nowhere to be found. Only those mathematical tools implied in the texts themselves are employed.

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Eltis proceeds from the presupposition that underpinning the verbal explanations of the classical economists was a coherent analytical model. Using extended quotations from the primary sources, he is able to glean the assumptions and the conclusions of these underlying models, which are then presented in simple algebraic terms. The proof of the restatement is agreement between its assumptions and conclusions and those of the original author. The result is that Eltis's reconstructions are about as free from anachronisms as it is possible to get.

Despite the differing political agendas of these writers, Eltis is able to discern five broad propositions that define classical economics, although Marx would dissent from some of them. Nonetheless, there is a general core of belief in these five propositions. First, competitive markets maximize economic efficiency. Second, population will generally expand to match the growing demand for labor at a wage that ensures that sufficient children survive to maintain the population. Third, some activities are productive of a surplus while others are not, and a closely associated fourth—growth—depends on the reinvestment of this surplus. Lastly, competitive prices converge on the long-run costs of production.

Of these, the surplus concept and its relation to growth play a central role in the interpretation offered here. While recognizing this as a significant point of difference between classical and modern growth theory, unlike many modern historians of economics, Eltis does not go so far as to assert that the transition from classical economics to neoclassical economics was one of a revolutionary transformation of value, distribution, and growth theory. The marginal revolution, as in Hollander's single paradigm view, is a change of focus, not an overhauling of the foundations of economics.

The classical ideas are seen as obsolete largely because the conditions that produced them have disappeared. Thus, the classical theory is treated as logically correct and applicable to situations where the assumptions are realized. The Ricardian model, for example, would once again become relevant if rising real resource and food prices with real wages constant should put downward pressure on the rate of profit.

While the concept of surplus unites these various growth models, Eltis suggests that there is an important dividing line within the classical models presented. Using Hicksian categories, Eltis distinguishes between fixed-price and flex-price versions of the theory. Smith and Ricardo fall on the flex-price side of this divide, while Quesnay, Malthus, and Marx fall on the fixed-price side. Thus, Smith and Ricardo rely on the price system to determine the proportions between saving, investment, and consumption. For Quesnay, Malthus, and Marx there was a delicate balance between these aggregates that, alone, would ensure a sufficiency of aggregate demand relative to aggregate supply, but price flexibility could not guarantee that this balance would prevail. Thus, the Quesnasian, Malthusian, and Marxian economies are subject to instability if these proportions are not right, while no such problem arises in the Smith and Ricardo economies. This is an important insight, which especially helps us to sort out the Malthus/Ricardo debates.

Since the publication of the first edition of this book, the interpretation of classical economics has become increasingly controversial, largely because of the

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work of Samuel Hollander. Eltis refrains from entering into these debates in any direct way. Yet he largely accepts much of what Hollander has been contending for in his single paradigm view of history in general, and in his "new view" of Ricardo in particular. At the same time, as I indicated above, he places the surplus concept at the center of his understanding of what was distinctive about classical growth theory. This is symptomatic of the tone of the book, which is respectful and sympathetic throughout both to the primary and to the secondary sources. It deserves to be widely read, even used as a text to introduce advanced undergraduates and graduates to classical theory. It presents the classical theory as a vital body of thought, which could become relevant again should the appropriate conditions prevail.

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Pierre Garrouste and Stavros Ioannides, eds., *Evolution and Path Dependence in Economic Ideas*: *Past and Present* (Cheltenham, UK and Northampton, MA: Edward Elgar, 2001), pp. viii, 247, $90. ISBN 1 84064 081 2.

The volume under review is a collection of ten essays from the annual conference of the European Association for Evolutionary Political Economy held in Athens in 1997. Although it is a collection of mixed quality, some of the essays are of major significance and do require more widespread attention than is sometimes accorded to a volume of this type. All the essays take a historical perspective and relate to the history of ideas. Accordingly, this book should be of particular interest to the readers of this journal. The scope of the book is usefully summarized in its first chapter.

Anyone who is interested in the concept of path dependence should read the essay by Paul David, which is the second chapter in this book. One of the highly valuable features of this article is David's careful definition of the concept of path dependence and the removal of a considerable amount of ambiguity and misunderstanding surrounding it. Not only does David deal effectively with some critics of the idea, but also he makes a strong case for historically sensitive, rather than ahistorical, conceptual frameworks in economics. This is a very important article.

In the third chapter, Philippe Dulbecco and Veronique Dutraive compare the meaning of the market in Austrian school economics and the writings of the old institutionalists. Following a clutch of preceding authors, they argue persuasively that these two schools of economic thought have more in common theoretically than their typically diverging policy positions would suggest.

The fourth chapter, by Francisco Louçã, is a fascinating and rigorous study of the use of the metaphor of the pendulum in the elaborations of the theory of the business cycle by Ragnar Frisch and Joseph Schumpeter. It depicts Schumpeter's reservations in his last years concerning this mechanical analogue and the

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