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BOOK REVIEWS

Richard Arena and Michele Quéré, eds., *The Economics of Alfred Marshall: Revisiting Marshall's Legacy*. (Palgrave Macmillan, New-York, 2003) pp. ix 281, $95. ISBN 1-4039-0168-6.

This volume includes fourteen papers, most of which were presented at the Conference "Competition and Evolution: The Marshallian Conciliation Exercise" (Sophia-Antipolis, France, December 2000). It is divided into two parts: "The Legacy of Marshall's Economics" and "Economic Evolution and the Organization of Industry: Marshallian Insights." In spite of some analytical or thematic differences, the papers of *Revisiting Marshall's Legacy* share the same methodological perspective.

First of all, the authors have a common conception of history of economic thought which is the opposite of historiography. Moreover, they are convinced of the modernity of the Marshallian thought. As the editors, Richard Arena and Michel Quéré, asserted at the very beginning of the volume: "Marshallian economics is not mainly a topic for historians of economic thought; its modernity reveals how useful it is to re-read Marshall's contributions from the standpoint of the renovation of contemporary economics" (p. 1).

Secondly, this volume is not a blind apology for Marshall's economic thought. The contributors to this book do not hesitate to put under light and to analyze some of Marshall's failures. Laurence Moss ("Marshall's Objective: Making Orthodox Economics Intelligible to Business Leaders") considers with great interest one of Marshall's theoretical and personal failures: speaking to business leaders. On this point, a comparative study on Marshall's project of speaking to working men would be a very interesting complement. Laurence Moss attributes the main reason for this failure not to an excessive mathematical or diagrammatic formalization but to the fact that Marshall's economic thought was too far from the reasonings of the businessmen, as it can be shown with the "reconciliation problem." According to Moss, discussing the dynamic process of increasing returns "within a static equilibrium framework would have made communication with business leaders difficult, if not impossible" (p. 77). Many papers in this book deal with incomplete, misleading, or unsatisfactory aspects of Marshall's thought. Yet the interest in a thought may sometimes lie in its difficulties. As Richard Arena ("Organization and Knowledge in Alfred Marshall") puts it, "even if Marshall's contribution does not provide us with a ready-made theoretical framework, it remains a remarkable source of inspiration for theorists" (p. 238).

Next, most of the papers in the second part of *Revisiting Marshall's Legacy* bear out that evolutionary concepts fit with Marshall's economics, event though these chapters are not all evolutionary interpretations of Marshall's—including the chapter written by T. Raffaelli ("Requirements and Patterns of Marshallian Evolution: Their Impact on the Notion of Industrial District"), who recently published a noteworthy book: *Marshall's Evolutionary Economics*.

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Revisiting Marshall's Legacy shows that Marshall's thought is singular and more specifically that it is distant from mainstream neoclassical theory. This point is the very core of Giacomo Becattini's chapter, "The Return of the 'White Elephant'." It should be read in association with a previous paper he published in 2000 in the *Marshall Studies Bulletin* which analyzes six anomalies of Marshall's thought in comparison to orthodox economic thought. This view is also the incidental conclusion of Roberto Marchionatti's chapter ("Dealing with Complexity: Marshall and Keynes on the Nature of Economic Thinking"). Marchionatti demonstrates the methodological influence of Marshall on Keynes, particularly on the limits of mathematical formalization in the analysis of complex systems. This interpretation of Marshall also appears very explicitly in the chapters by Richard Arena ("Organization and Knowledge in Alfred Marshall's Economics"), Neil Hart ("From the Representative to the Equilibrium Firm: Why Marshall was not Marshallian"), and Brian Loasby ("Efficiency and Time").

The papers collected in this volume eventually widen traditional textual evidence and often use a historical perspective. Both Giacomo Becattini and John Whitaker (chapter 8, "Alfred Marshall's *Principles* and *Industry and Trade*: Two Books or One? Marshall and the Joint Stock Company") put into perspective several of Marshall's works. They not only compare different books published by Marshall but also support their study with Marshall's early economic papers, his correspondence, as well as some of his manuscripts. Yet perhaps the main feature of *Revisiting Marshall's Legacy* is the particular importance attached to *Industry and Trade*. This book, published by Marshall late in his life, is explicitly quoted, or at least evoked, in twelve of the fourteen papers of this volume. As Tiziano Raffaelli recently explained: "without taking into account *Industry and Trade* it is difficult to realize that Marshall's prevailing interest lay in the evolution of the industrial system rather than the equilibrium of the individual firm ... Unfortunately, when [*Industry and Trade*] was issued, in 1919, it was considered to belong to a different and separate field of research, providing no backward insight into *Principles* ... Marshall's industrial economics was considered peripheral, descriptive and almost devoid of theoretical relevance and *Industry and Trade* was shelved as a work in applied economics, of no interest for the development of economic theory" (Raffaelli 2004, p. 211). The view defended in *Revisiting Marshall* is quite the opposite.

Marshall's modernity and legacy are mainly grasped within industrial economics and the question of economic change. This volume is valuable because it offers different viewpoints on the same issue. Thus, while Michel Quéré ("Increasing Returns and Competition: Learning from a Marshallian Perspective") leaves up the idea of a reconciliation between equilibrium and evolution—that is to say, between book 4 of the *Principles* and *Industry and Trade* on one side, and book 5 of the *Principles* on the other side—Marco Dardi ("Alfred Marshall's Partial Equilibrium: Dynamics in Disguise") tries to demonstrate that the equilibrium framework may provide a relevant analytical structure to conceptualize economic change. Peter Groenewegen ("Competition and Evolution: The Conciliation Enterprise") studies the way Marshall tried to link the competitive process and the evolution of industry within a consistent framework. He analyzes the question with regard to the evolution of the meaning of the word "competition" in Marshall's writings, an analysis that may be related to the definitions accepted in the same volume by Neil Hart (p. 171) or

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Michel Quéré (pp. 190-98). The methodological stance adopted by John Whitaker is quite close. He shows how, from Marshall's early economic writings until *Industry and Trade*, the treatment of the representative firm and the treatment of the joint stock company evolved. In the *Principles*, Marshall went on using the former concept until the last edition of the book in 1920, while its characteristics were contradictory with the economic reality of the time and the growing importance of joint stock companies that he described in *Industry and Trade*. Neil Hart also devotes his paper to the representative firm. He illustrates the way the Marshallians (among them, in the first place, A. C. Pigou) evaded Marshall's self-admitted impasses. When they substituted the concept of the equilibrium firm for the representative firm, they annihilated the evolutionary forces underlying Marshall's thought. From then on, Neil Hart concludes, consistently, that Marshall was not a Marshallian. This is perhaps not such an unusual phenomenon in the history of economics.

The concept of industrial districts is another key-element of the second part of this volume. Tiziano Raffaelli asserts that it is only with Marshall's writings that industrial districts "cease to be a 'descriptive device' and … began to acquire its standing as a socio-economic concept" (p. 254). Industrial districts are often evoked in this book as a relevant illustration of Marshall's theory of economic change. Richard Arena stresses Marshall's contribution to cognitive economics, yet the reader will find a historical contextualization of Marshall's views on knowledge in the chapter written by Brian Loasby. Richard Arena shows that Marshallian individuals develop learning processes rather than optimization processes. These are particularly stimulated within industrial districts, where close connection, specialization, and variety of activities generate cooperation, innovation, and progress. Within an explicit evolutionary framework, Tiziano Raffaelli explains Marshall's theory of co-evolution between a social system and its members by means of the explicative model of functioning and evolution of the human mind developed by Marshall in his early philosophical writings. Human behavior is a mix of automatisms, routines, or "quasi-instincts" on the one side, and voluntary actions, previously unexplored choices, on the other side. The well-balanced development of these two sides is necessary for a "'constructive' evolution: that is, evolution in which both environment and individuals change for the better" (p. 255). From this point of view, the industrial district appears as the ideal context evolution. Marco Bellandi ("Some Remarks on Marshallian External Economies and Industrial Tendencies") focuses on external economies—that is to say, in Marshall's words, economies of specialization, of learning, or of creativity that arise from an industrial context. While asserting that Marshall considered that these types of economies were mainly present at a local level, such as in industrial districts, he concludes that with the different territorial levels (local, regional, national) being inter-linked, from a certain point of view any external economy at one level is an internal economy at a larger level.

Tiziano Raffaelli (2004) recently brought to light the institutional reasons that buried the Marshallian research program in industrial economy. *Revisiting Marshall's Legacy* shows how fruitful it is to reopen it.

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