

BOOK REVIEWS

Richard Arena and Cécile Dangel-Hagnauer (Eds) *The Contribution of Joseph Schumpeter to Economics* (London: Routledge, 2002) pp.xix, 264, \$60.00, ISBN 0-415-22824-7.

For those who believe they “know” the work of Joseph Schumpeter, this collection should be seen as a gentle reminder that all is not necessarily as it appears. The portrait of Schumpeter drawn in the twelve chapters that comprise this book seems a much different character than the person with whom we typically imagine ourselves to be acquainted.

As the editors maintain in the Preface, while Schumpeter contributed much in the areas of monetary theory, business cycle analysis, economic development, economic methodology, economic sociology, and the history of economic thought, his contributions have for some time been marginalized by virtue of his identification with a theory of entrepreneurship and innovation within an evolutionary framework. To see that this is true, one need only peruse a random issue of the *Journal of Evolutionary Economics*, the house organ of the International Schumpeter Society, or examine a list of the sessions of any of their biennial meetings. In this volume, the editors seek to break away from this trend toward minimalization. They seek to confront, and by so doing alter, this interpretation by examining the full scope of Schumpeter’s accomplishments, including untranslated and thus little-known writings, and as a result situate their subject more solidly within an *institutionalist* tradition, as they identify in his work a unified methodological stance.

Following a brief but cogent Introduction that situates their subject and identifies for the reader the importance of his *sociology* to an appreciation of his *economics*, the editors of this collection present Schumpeter’s contributions in five parts. The essays in Part I, on the History of Economic Analysis, focus on Schumpeter’s relationship to the “old” Austrian school, and his contributions to an understanding of the place in economic thought of Walras and Marshall. In the first chapter, Sandye Gloria-Palermo addresses a puzzling aspect of Schumpeter’s analysis of the history of economic thought: while downplaying the significance of the early Austrians in the development of economic theory—specifically, Menger, Böhm-Bawerk, and Wieser, whom we are told he marginalizes by categorizing them as Marginists—Schumpeter nonetheless incorporated their insights into his own work on economic evolution and the analysis of the process of production, and thus became in effect one of them. This chapter actually sets the tone for much that follows, for the interpretation of Schumpeter as an “Austrian” theorist is central to the overall theme of the book. Chapters 2 and 3 focus on Schumpeter’s views of Walras and Marshall, respectively. Richard Arena tackles the “why” and “how” of Schumpeter’s “rehabilitation” of Walras, at least as it has been accepted among English-speaking economists, to wit, the identification of Walras with Walrasianism, to the neglect of the import of his

social philosophy. What we find is that while Schumpeter may have been responsible for the portrayal of Walras as the formalist behind general equilibrium economics, for which he granted him high praise indeed, he himself pursued a quite different approach to economics, one more in tune with the actual workings of the system. Nathalie Duval appraises Schumpeter's approach to Marshall through an analysis of the former's *general* approach to the history of thought—a process of rational reconstruction that ultimately served both Schumpeter and Marshall poorly.

Part II centers on Schumpeter's methodological stance. André Legris focuses on Schumpeter's economic sociology, contrasting it with his more formal economic analysis, and finds that economic sociology allowed Schumpeter to create a fuller account of dynamic interactions than he had been capable of through his static analytical economic method. Anne Châteauneuf-Malclès focuses on issues of time and rationality, arguing that Schumpeter actually considered two different approaches in his writings, one emphasizing the statics of the circular flow, the other emphasizing change, learning, knowledge, and perspective time, and stressing the importance of the forward-looking entrepreneur.

Part III takes up the topics of Economic Development and Social Change. Agnès Festré examines Schumpeter's approaches to innovation and business cycles, pointing out the originality of integrating the two into a single dynamic framework. Odile Lakomski treats of Schumpeter's understanding of capitalist development from a perspective similar to and yet quite different from that of Marx. Both employed the notion of dialectical development and an evolutionary approach (seen as historical analysis in Marx), but in the end Schumpeter actually stands Marx on his head by reversing the place in capitalist development of *institutional* stresses.

Part IV covers the traditional Schumpeterian topics of Entrepreneurship and Competition. Richard Arena and Paul-Marie Romani review Schumpeter's approach to entrepreneurship, and hold that the standard interpretation of the evolutionist does a disservice by ignoring the institutional dynamics of the entrepreneurial process. Alain Raybaut and Franck Sosthé handle the topic of competition and its relation to dynamic efficiency, and conclude (in line with the central message of the contributions) that the significance of Schumpeter's work in this regard lies in his emphasis on the institutional structure and organizational form of the business enterprise.

Part V, on Money, Banking, and Finance, concludes the volume. Cécile Dangel-Hagnauer focuses on Schumpeter's posthumously published *Das Wesen des Geldes* to provide the critical linkages heretofore missing from analyses of his work, specifically the idea of the *institution* of money. To insist that one can understand the role of money solely from the perspective of economic theory is to engage in a pointless exercise, as money gains its importance as an *institutional* artifact. Agnès Festré counterposes Schumpeter's and Hayek's ideas on money and banking with those of Wicksell, while Eric Nascia sets Schumpeter against Keynes in the area of finance. Schumpeter, we are instructed, comes out the clear winner in both contests.

The conclusions one comes away with from a perusal of this volume are that Schumpeter was far from a one-dimensional character, that he wrote squarely within a tradition broadly conceived as Austrian (not merely by virtue of his birth, but by temperament, approach, and intellectual interest as well), that he was far more the institutionalist than the evolutionist, and that his legacy should not be so narrowly construed to the neglect of the full flower of his work. This book succeeds in bringing to the reader

a much-needed appreciation of the strength and vivacity of Schumpeter's thought, and it should be widely circulated among those who think they already know the man and his work.

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William Oliver Coleman, *Economics and its Enemies: Two Centuries of Anti-Economics* (Houndmills, Basingstoke, Hampshire: Palgrave Macmillan, 2002) pp. 328, \$110. ISBN 0-3337-9001-4.

Many of us who teach or do research in the History of Economic Thought (HET) have long felt that the economics profession undervalues our specialization, and we have struggled to make the case in support of HET. In recent years, the argument has sometimes been cast in terms of externalities, other things that come along in the context of studying HET: unlike more technical economics courses, ours is, we hold, a course in which students learn—at least practice—how to write. If universities value writing, we might use this argument to justify the HET course in the overall university curriculum.¹ It's a good strategy, one that justifies the otherwise beleaguered HET course.

But this strategy under-emphasizes a case that William Coleman's book, *Economics and its Enemies*, makes clarion clear: economists of all stripes who know the past have a better understanding of the present. If ideas, like markets, are interrelated, then what we don't read has implications for our understanding (or lack thereof) of what we do read. Sometimes, the implied gap in understanding will be small and unimportant. When it comes to understanding the opposition to economics, this is probably not a safe assumption. If we are ever to engage that opposition in serious discussion—to convince our reading public that, for instance, free trade is not such a bad thing—we need fully to appreciate the origin, influence, and longevity of old ideas and debates.

Economics has long had enemies and, as Coleman points out, we have all-too-often failed to come to grips with who these enemies are, and what precisely it is about economics that bothers them. Coleman points to recent examples: the post-autistic movement within economics (PAE)²; heated opposition to NAFTA which surprised even my Canadian sensibilities; and ongoing anti-globalization sentiments (pp. 3–4). Well-known examples from the past include Karl Marx, Auguste Comte, Thomas Carlyle, and the German historical school (pp. 5–6). Economists often dismiss such critics as technically unproficient, unable fully to understand economic science, or well-meaning but overly idealistic. In his careful survey, Coleman seeks instead to take full measure of the opposition, and to offer a “counter-critique” (pp. 3, 7).

¹So, for instance, one of the HES-sponsored sessions accepted for the 2005 Allied Social Science Association annual meeting is “A Roundtable Discussion About Using Writing Across the Curriculum in the History of Economics Course.”

²Evidence of the interrelatedness of Coleman's project and the PAE movement is the pairing of Coleman's book with *The Crisis in Economics* (Routledge 2003) for review in the *History of Economic Ideas*. See Peart (2005).