On Mark Perlman and Joseph Schumpeter: Their respective approaches to evolutionary economics and the history of economic theory

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To Joseph Schumpeter’s Ten Great Economists (1952), reissued in 1997 with a typically learned and absorbing introduction by Mark Perlman, whose 80th birthday is a most appropriate reason for this special issue, I would wish to add Mark and Schumpeter himself. Both had (have) encyclopaedic knowledge of our discipline and of the personalities who made it, both were (are) fascinated by evolutionary processes as they apply to our understanding of the motion over time of economies; both were exemplary teachers, as inspiring as they were demanding of high standards from their pupils and supervisees. Both were conservative in their politics, though Mark is more willing to use our discipline as a backdrop to the making of policy than was Schumpeter who, at least in later life, thought that analysis and scholarship were sufficient ends in themselves. Mark is much more sceptical than Schumpeter was concerning the role of mathematics as the language of our subject. Schumpeter was bedazzled by mathematics and its role, partly because, I suspect, he was not a naturally gifted mathematician, though he worked hard at making himself so. Mark, like Keynes, recognised that mathematics is but one of several languages that have appropriate roles to play in economic theory, analysis and applied work. As a result, I do not think that there are inner contradictions, never to be resolved satisfactorily, in Mark’s economics such as there are in Schumpeter’s. Especially is this so of those concerning Schumpeter’s admiration for Léon Walras as the premier theorist of the subject, on the one hand, and his own desire to understand and analyse the dynamic evolutionary processes of capitalism in which technical advances, innovations, the hero entrepreneurs, the credit system and institutions play crucial roles, on the other. Yet all of these are precluded from Walras’s pure theory, not only in his time but also in ours, from which Schumpeter’s great works started and which was never wholly discarded.

Of the essays in Ten Great Economists I concentrated most on the essays on Karl Marx, Alfred Marshall and Maynard Keynes. I have the feeling that Schumpeter was a more positive admirer of these three than Mark is (I may be doing Mark an
injustice, especially with regard to Marshall, and, if so, I hope he will forgive me). Whatever is the case, however, there are good independent reasons for such positive evaluations of them, especially as economists. Like Joan Robinson, the more I get to know about Marshall the less I like or admire him as a human being while yielding to none in my admiration for him as an economist. In writing this, I am emboldened by the writings of that great Marshall scholar, Rita McWilliams Tullberg, whose Ph.D. dissertation I was privileged to supervise and whose writings on Marshall and Mary Paley Marshall I much admire. I have to admit that two of my greatest friends who are also outstanding Marshall scholars, Peter Groenewegen and John Whitaker, retained their affection for him after their majestic and absorbing works of scholarship on him were finished. They must have more forgiving natures than mine (or even Rita’s), for both of us are scandalised by Marshall’s treatment of Mary and, in my case, by his endless scheming and bad faith and behaviour in Cambridge politics, setting up a tradition which, alas, continues to this day in the Faculty of Economics and Politics: a sad sentence to have to write in 2003, the year in which we are celebrating 100 years of the Economics Tripos at Cambridge.

Of course, it is not really surprising that Schumpeter should find in Marshall a kindred soul. They both admired static equilibrium analysis (after all, Marshall invented much of it with his partial equilibrium approach, his attempt to handle time within it and his knowledge of general equilibrium, albeit he was always sceptical of its actual use), yet saw in history and biology – evolution – the true Mecca through which to obtain an understanding of the development of capitalism over time. So both economists had at the core of their systems and approach basic contradictions which neither ever solved and which caused them endless tension and pain. Mark has avoided this because he had always been suspicious of formalism as such and so could embrace without looking back the new evolutionary economics, giving it his blessing and making important contributions of his own to its development.

On Marx, I rather side with Schumpeter who seems to have liked him as a person, warts and all, and would, I conjecture, have enjoyed and accepted the overall favourable portrait of Marx contained in Francis Wheen’s recent excellent biography (Wheen, 1999). Certainly there is more than a little truth in Joan Robinson’s quip that Schumpeter is Marx with the adjectives changed; their visions of the workings of capitalism, allowing for their different ideologies and political attitudes, are remarkably similar. I think Schumpeter errs in his criticism of Marx’s version of the labour theory of value (LTV). Properly understood, I would argue that the theory is a portmanteau term for an explanation of the origin and size of profits and the rate of profits in the capitalist mode of production. As a (relatively minor) corollary of this view is the need to explain the deviations of prices of production around underlying labour values, the so-called transformation problem. While Schumpeter could rightly criticise Marx for getting the details of the solution wrong, later work has provided a convincing solution (probably most definitively described by William Baumol in his critique of Paul Samuelson’s Journal of Economic Literature essay on the transformation problem, a survey commissioned by Mark when he was the managing editor). Moreover, I would argue that the LTV, so viewed, is still of central relevance for an understanding of the modern world even today. Marx’s and Keynes’s (and Kalecki’s) analytical frameworks allow analyses that make much