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Review of "Collected Economic Papers"

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economy in general when we know that Klein and Goldberger's laboriously constructed model of twenty-odd equations did none too well for a specific economy. Of course, Kaldor can maintain that he has the *right* equations.[2] This may be so, but until the necessary empirical work has been done Kaldor cannot expect his models to be greeted as a substantial insight into the real world. We are already surfeited with plausible and ingenious models, even models as ingenious as these; what we need is a model with compelling empirical evidence in its favor.

One of the most stimulating essays is uncharacteristic of Kaldor in either phase: "The Economic Aspects of Advertising" (1949, *Value*, pp. 96–140). It is soundly empirical and well informed of the facts, anticipates many of Galbraith's strictures against advertising (in turn being anticipated by F. H. Knight and, of course, T. Veblen), and presents the most cogent argument I have yet seen for the necessity of advertising in a mass-production economy. The basic idea is that, whereas the famous mousetrap manufacturer could wait for the world to beat a path to his door, a man who has invented a mousetrap that can be made more cheaply if made in large quantities could well go bankrupt if he waited for this primitive road-building process. He would also be likely to go bankrupt if he waited passively for wholesalers to place sufficiently large orders for him to reap the benefits of his economies of scale.

There are many minor points on which I should enjoy taking issue with Kaldor: his easy assumption that real wages fall during cyclical upswings, his muddled algebra in the analysis of the optimal durability of capital, the strange savings function in "A Model of the Trade Cycle," and the arbitrary investment function in "A Model of Economic Growth," for example. But Kaldor himself remarks that all of these propositions are to be regarded as suggestions rather than as dogmas, and they are very stimulating suggestions. These volumes recapitulate the first half of a career of continuing fruitfulness; they and their contents are a handsome gift to the profession.

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[2] On the other hand, two of Klein and Goldberger's equations are very similar to two of Kaldor's three equations.

Collected Economic Papers, Vol. I. By JOAN ROBINSON. Oxford: Basil Blackwell, 1960. Pp. vii+281. 30*s*.

All but one of the twenty-one items in this volume were produced during the 1950's. Material that had not been published or which was not readily accessible as well as papers that were first published in standard economic journals are included. Obviously none of the items is a time-tested classic; but the skill in analysis and the ability to recognize popular problems that is expected of Mrs. Robinson are once again exhibited.

The collection includes both serious and casual material. The more serious papers, which are mainly concerned with problems of capital theory in relation to post-Keynesian dynamics, are heavily academic in flavor. Mrs. Robinson's considerable expository skill and deep understanding of economic mechanisms and processes are combined with her command over the required body of analytical economics to make some of the more informal and rather casual pieces truly interesting.

The papers are divided into four groups. The first consists of eight papers dealing with comparisons of capitalist and socialist economics and economies. Even though the papers in this section are frequently marred by political naïveté and casual errors of fact, much of the content is important. In particular, two expository papers are worthy of attention. The paper on "The Philosophy of Prices" is a nice examination of various functions of prices and how the pricing system can be used as a tool of economic control. This paper can serve as a good general and elementary introduction to the functions that prices perform and how the price system could be used in a planned economy. It is unfortunate that a remark made in this paper—that the "proper place for the rate of interest is not in the determination of prices but in the calculation of the relative yields of different investments" (p. 45)—did not illuminate the papers in the second part of this volume. Another interesting, although in places outrageous, expository paper in this group is titled "Notes on the Theory of Economic Development"; in this piece, Mrs. Robinson finds virtues, appropriate to their special circumstances, in both socialist and capitalist economies.

In this first section, Mrs. Robinson also acknowledges her debts to Marx, Marshall, and Keynes. The influence of these not altogether consistent intellectual ancestors may be a source

of the valuable ability, which is evident throughout these essays, to recognize not obvious equivalences among problems and institutions.

The second group consists of eight papers in which aspects of post-Keynesian dynamics are examined. These papers are more formal and much more arid than those in the first section. A friendly reviewer could argue that the purpose of these papers is to show the emptiness of the traditional neoclassical formulation of the problem of economic growth. However, as Mrs. Robinson keeps returning to problems of measuring the stock of capital, we can assume that she believes it to be an important problem, although she never specifies what would be gained if the problem were solved. In spite of this emphasis, elements of an interesting and perhaps useful approach to investment, value of assets, and growth are contained in the passages where she examines how a man of deeds would look at these problems. In these passages she seems to be on the verge of approaching captial theory from an *n*-dimensional, quasi-rent, and investment decision perspective, but she always backs away and returns to the examination of highly aggregated models in which the capital stock plays a central part.

A surprising aspect of these papers, given Mrs. Robinson's interest in socialism, is the emphasis that is placed upon the distinction between gross and net investment, saving and income. Aside from being a way of constructing a latent stationary state in a dynamic situation, the only relevance of these concepts for the analysis of economic growth is to a heavily taxed capitalist economy.

Mrs. Robinson is also interested in distribution theory. She examines conflicting neoclassical and Keynesian approaches and resolves the conflicts she identifies by arguing that each theory has its proper place and that most of the deep problems in this area are not solved by any of them. The outcome of her work here is a recognition that the problem is difficult.

The third group of essays consists of two papers dealing with imperfect competition. Mrs. Robinson now seems to understand that the important content of the analysis of non-competitive markets lies not in the geometry of maximizing behavior in defined situations but in the market and institutional factors which generate the set of relations which then can be anaylzed formally.

In the fourth and last group are three papers dealing with employment and interest rate problems. I thoroughly enjoyed the informal pieces on the bank rate and on inflation.

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A Neo-Classical Theory of Economic Growth. By J. E. MEADE. New York: Oxford University Press, 1961. Pp. ix+146. $4.00.

In recent years there has been a proliferation of models of economic growth stimulated by contemporary interest in economic development and the pioneering work of Harrod and Von Neumann. Such models can be classified as either neoclassical or neo-Keynesian, according to whether they assume that saving gets invested or investment gets saved; or, what is logically the same criterion at one remove, whether they accept or deny that the distribution of income can be related to a production function containing capital as one of the arguments. Neither type of model constitutes a theory of economic growth, not only because technical progress and population change are treated as exogenous, but also because the saving or investment behavior that sets the model going is not explained by it. Rather, the models analyze the economic consequences of such behavior; its causes must be sought elsewhere, in sociology, psychology, or anthropology. Thus the two types of models differ in their vision of where the ultimate source of capitalist growth is to be found, the neoclassical seeing it in the determinants of the behavior of the mass of potential savers, and the neo-Keynesian in those of the behavior of the minority of potential entrepreneurs.

Cambridge writers (Joan Robinson and Nicholas Kaldor) have been most active in developing neo-Keynesian growth models; it is therefore only just that the Professor of Political Economy at Cambridge should have produced, in this volume, the most comprehensive neoclassical analysis of growth yet published. His model, which draws heavily on Trevor Swan's brilliant article "Economic Growth and Capital Accumulation" (*Economic Record*, 1956, pp. 334–61), is evidently designed in part to evade the objections that his colleagues, especially Joan Robinson, have raised against the neoclassical approach. His method of so doing is to make the assumptions necessary to elimi-