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Schumpeter and Finance

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Sylos and I go back to Harvard in 1948–49: to lectures, the corridors of Littauer and Schumpeter's study. Sylos arrived at Harvard after some time at Chicago. As my first degree was from Chicago, albeit before America entered the Second World War, comparing our views on Chicago and Harvard drew us together and animated our discussion.

Then, as now, Sylos was an enthusiast. The main entrance to Littauer opened on a large hall with the library on the right, the formal lecture hall on the left and a staircase straight ahead. There engaged students went over the substance of lectures and readings: gossip and politics (national, international and academic) were also on the agenda.

Sylos quickly became an active participant in the lobby. The more things change the more they remain the same. What characterises Sylos now, the eager attack on subjects with substance, the love of discourse, the openness to argument, incisive insights and commitment without sectarianism, characterised him then.

By 1948–49 Schumpeter had fallen out of favour with the trend-following and career-oriented graduate students at Harvard. As a teaching assistant in the Hansen-Williams undergraduate Money and Banking course I had an office on the mezzanine at Littauer, just down the corridor from where Schumpeter kept his office hours. I discovered that Schumpeter would often sit alone, dutifully keeping his promised hours even though few if any students came.

I began to join him: he was happy to have company. Sylos also discovered Schumpeter's isolation. He too frequented Schumpeter's study. We talked about important things as well as about economics.

The memory goes back forty years but I recall sitting on a table that Schumpeter had along a wall in his study and Sylos, more decorously, sitting in a chair. (This gave me the advantage: I was pronouncing from up high.) There was a good deal of tease back and forth, but there also was a great deal of substance. Schumpeter was always involved in the exchanges (taking notes on seemingly random points), encouraging us to develop our own style and to follow our own vision. (Normal science was too easy.) Schumpeter's encouragement paid off in Sylos's performance: over the past

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forty years the breadth of subject matter, the insights and the quality of analysis have been truly Schumpeterian.

In 1948–49 the representative graduate student considered Schumpeter to be passé. Paying attention to him, joining him in his study was evidence of a lack of fundamental seriousness, of dilettantism. Given the command of mathematics that economists of that time possessed, Schumpeter's model was not tractable.[1] As a result his vision was ignored by the candidates striving to be mathematical economists and econometricians.

The events of our time, especially but not exclusively the break-up of the Soviet ministerial model of socialism, vindicates the Schumpeter vision of economies as evolving systems, systems that exist in history and change in response to endogenous factors. (Schumpeter acknowledged that this vision owes much to Marx.) This message, that societies are evolutionary beasts which cannot be frozen in time and reduced to static mathematical formulations, was never more relevant than it is today. No doctrine, no vision that reduces economics to the study of equilibrium seeking and sustaining systems can have a long-lasting relevance. The message of Schumpeter is that history does not lead to an end of history.

Sylos has reenforced this message these past forty years.

SCHUMPETER ON MITCHELL

Schumpeter was not lacking in ego. He was generous to his elders and the young, critical of his contemporaries. The praise he dispensed was often self-serving, a not-so-subtle affirmation of his own work.

The obituary of Wesley Mitchell may well have been the last item that Schumpeter prepared for publication: It 'was finished just a week or two before Schumpeter's death'.[2] He praises Mitchell for his 'vision of the monetary – or "capitalist" – economy . . . which . . . integrated the monetary phenomena with the rest, thus anticipating tendencies that have asserted themselves of late . . .'.[3] Schumpeter goes on to contrast the Marshallian or equilibrium approach to business cycles in which 'the economic process is essentially non oscillatory and . . . the explanation of cyclical as well as other fluctuations must be sought in particular circumstances (monetary or other) which disturb that even flow', with the '"theory" that the economic process itself is essentially wavelike – that cycles are the form of capitalist evolution . . .'.[4]

Mitchell, Schumpeter and, in Schumpeter's view, Keynes, lent the weight of their authority and as well as their analytical contributions to the view that cycles are inherent in the capitalist process. Schumpeter interprets Mitchell as arguing

> 'on the ground that the capitalist economy is a profit economy in which economic activity depends upon the factors which affect present or prospective pecuniary profits – equivalent, I (Schumpeter) believe to be the Keynesian marginal efficiency of capital – he (Mitchell) declared that profits are the "clue" to business fluctuations, which seems to tally substantially not only with the "theory" adumbrated in Chapter 22 of Keynes's *General Theory* but also with the theories of a group of business cycle theorists that is almost as large as the group that looks upon cycles as inherent in the capitalist process.'

Schumpeter criticises Mitchell for he 'did not go on to say that profits are evidently – somehow, but in any case closely – connected with the process of investment'.[5]

This praise of Mitchell, the identification of Mitchell with Keynes' views on profits and the endogeneity of business cycles, and Schumpeter's endorsement of these views, lead me to wonder if Schumpeter died a closet believer in the what we can call the economics of Keynes, even though he would not associate himself with the Harvard Keynesian economics of his time.[6]

Schumpeter identified money with credit, i.e. with the assets institutions whose liabilities serve as money acquire as they 'create' money.[7] The assets acquired by banks either result in a portfolio change of the non-bank public or they finance activity. When activity is financed the first bankers' question, 'How are you going to repay me?', rises to the surface.

But the credit that shows up as assets of banks whose liabilities are money is only a part of the credit in an economy. There always is a conflict between the credit that is intermediated through banks and the credit that takes place through markets: bank loans and commercial paper are competing forms of credit.

In order to carry their negotiations with bankers to successful completion, prospective borrowers need to formulate explicit projections of revenue and gross capital income (profit flows). Investment that is financed draws resources from the Schumpeterian circular flow and leads to labour incomes that are not offset by commodities that are available in the market in the short run. Thus investment, especially innovative investment, leads to an increase in the demand for currently available output (consumption goods). This demand in the aggregate finances the mark-ups that are earned in the production of consumption goods. Profits result from the way the financial structure is able to finance investment and therefore to extract a surplus from the economy. The view that money is the social device that enables bankers and entrepreneurial businessmen to force a surplus out of the economy and allocate that surplus to specific constructive (resource-creating) uses is the monetary theory of Schumpeter and Kalecki.[8]

Keynes' monetary theory is an improvement over this 'money finances investment' theory, for Keynes links the monetary mechanism not only to the financing of investment but also, through the doctrine of liquidity preference, to the setting of prices on prospective profit flows. The insight of genius that made *The General Theory* an advance over what had preceded it was the recognition that in a capitalist economy there is not only a price level of current output but also a price level of capital and financial assets. The 'annuities' that capital assets are expected to earn have a price, and investment occurs because the price of such annuities exceeds the supply price of investment output that is expected to earn such annuities.[9] This Keynesian theory in which investment is the outcome of the relative values of items in the two distinct price levels of a capitalist economy is the construct that Schumpeter needed to complete the vision of *The Theory of Economic Development*, a construct he sought but never achieved.

In both Keynes and Schumpeter the in-place financial structure is a central determinant of the behaviour of a capitalist economy. But among the players in financial markets are entrepreneurial profit-seekers who innovate. As a result these markets evolve in response to profit opportunities which emerge as the productive apparatus changes. The evolutionary properties of market economies are evident in the changing structure of financial institutions as well as in the productive structure.

In the *Theory of Economic Development* Schumpeter called the banker/financier the *ephor* of market economies.[10] The *ephor* was a magistrate of Sparta who contained and controlled the Kings. In Schumpeter's vision it is the banking structure of a capitalist economy which controls and delineates what can be financed, and only that which is financed enters the realm of the possible. But nowhere is evolution, change and Schumpeterian entrepreneurship more evident than in banking and finance and nowhere is the drive for profits more clearly the factor making for change. But in an evolutionary system the power and efficacy of the *ephor* is also endogenously determined.

To understand the short-term dynamics of business cycles and the longer-term evolution of economies it is necessary to understand the financing relations that rule, and how the profit-seeking activities of businessmen, bankers and portfolio managers lead to the evolution of financial structures.

Although households exist in Schumpeter's vision, as in Keynes they are passive. Both Schumpeter and Keynes focus on the entrepreneur. The households that own wealth in significant amount are either rentiers or the active financier and owner of industry. The minor owners of wealth allow the middle men in finance to dominate their portfolio choices. Consumer sovereignty is subordinated to the vision of entrepreneurs and the critical analysis of bankers in determining the path of the economy.[11]

At least four models of the structure of relations among business, households and finance can be distinguished in market economies. Although all four coexist in advanced capitalist economies, they can be viewed as stages in the development of capitalist finance. These are (1) commercial, (2) financial, (3) managerial and (4) money market capitalism. These stages are related to what is financed and who does the proximate financing.

COMMERCIAL CAPITALISM

Commercial capitalism involves the financing of goods that are being traded or processed. It is associated with merchants who are bankers and bankers who are merchants. The main instrument of this type of financing is a bill of exchange or other documentation which relates credits to specific commodities. Such a bill is drawn on a banker and asserts that the banker guarantees that the receiver of goods will pay the shipper. In such a transaction the banker says that if the payment is not forthcoming the banker would pay: the banker accepts a contingent liability. This banker's guarantee is often reinforced by the endorsement of another financial institution, an acceptance house, which in effect guarantees that if the banker does not honour its contingent commitment, the acceptance house will pay the face amount of the bill.

Commercial capitalism created a hierarchy of contingent commitments. The normal functioning of the economy saw the creation and the unwinding of these contingent commitments. When a contract that creates credit is fulfilled credit is destroyed.

Commercial capitalism was based upon the knowledge of home bankers about local merchants and distant bankers. In commercial capitalism the private or asymmetric knowledge base of financing transaction is evident. Such private or asymmetric knowledge remains the basis of all banking relations. Variations in knowledge among agents in the economy in the face of uncertainty is not an imperfection of the economy, it is a condition of life in the world as it is.

In commercial capitalist arrangements bankers financed producer's inventories, but not the stock of durable capital assets used in production. An indirect financing of durable capital arises when banks finance durable capital as it is being produced: the inventories and the shipments of capital goods producers are eligible for commercial credit. The analogy to construction financing, where banks provide construction financing but not the ultimate take-out financing, is clear. The demand for financing increases during an expansion phase of an investment cycle and, with the money supply being endogenously determined, this leads to an increase in the money supply.

Commercial capitalism might well be taken to correspond to the structure of finance when production is by labour and tools rather than by machinery and labour.

FINANCE CAPITALISM

The industrial revolution led to a great increase in the relative importance of machinery in production and therefore of the non-labour costs that prices had to cover. Railroads in particular, especially when there were continents to be crossed, required vast amounts of funding: furthermore the pieces and bits did not have the potential for revenue that a completed line possesses.

The nineteenth century was the first great era of putting in place industry that required expensive and durable capital assets. A main development during this very creative period in capitalism's history was the emergence of the corporation as the dominant form of ownership. The key element that the corporation brought into play was the independence of the organisation as a financial entity. Not only was the liability of the owners of the corporation limited to their investment in the corporation, but the corporation's life was not linked to the biological lives of either the management or the owners.

In Great Britain and the United States commercial banks as commercial banks were not the main conduit for funds to corporations to finance positions in the expensive capital assets that made the industrial revolution possible.[12] The flotations of stocks and bonds and the trading of existing stocks and bonds became intertwined in security markets. Whereas trade was financed through institutions, with the market playing the secondary, though critical, role of enabling institutions to change their asset structure quickly in response to customer's requirements, the capital development of these economies mainly depended upon market financing.

The main institutions of the financing markets were investment bankers. These bankers acted as brokers when they facilitated trade in existing issues and as dealers when they underwrote new issues. These lines of business grew out of the need to trade positions in the liabilities of business organisations and to externally finance capital asset ownership.

One attribute of capital-asset-using production became evident as experience in such production was acquired: the prices of the output could deteriorate rapidly when out-of-pocket costs were a small ratio to the total funds that a firm needed to fulfil its payment commitments. Before economists became aware that price equal to marginal costs will lead to an inability to fulfil payment commitments made in financing expensive capital assets investment, bankers were aware that cut-throat competition was hazardous to the health of their clients who had borrowed to finance capital assets and to the health of their customers who had acquired the liabilities of their investment clients. Nineteenth-century bankers discovered that when production involved expensive capital assets, excess capacity and strong competition among producers led to prices that did not generate sufficient cash to fulfil commitments on debts. Responsible bankers, concerned about the integrity of the instruments they sold, began to abhor competitive markets. They sought to protect the cash flows that the firms they financed generated by forming trusts, cartels and monopolies. Entry was the great villain which can destroy asset values and therefore the foundations of secure financing: Barriers to entry had to be erected.

The great crash of 1929–33 marked the end of the era in which investment bankers dominated financial markets.

MANAGERIAL CAPITALISM

In the world of Schumpeter, Kalecki and Keynes profits depend upon financed investment and financing depends upon the funds made available through the intervention of commercial and investment banks. During the great depression, the Second World War and the peace that followed government became and remained a much larger part of the economy. As had been demonstrated by Kalecki, government deficits led to profits.[13]

A major social policy in most capitalist economies was to improve the housing stock. In the United States this took the form of government support of mortgages and the institutions that financed mortgages: the Savings and Loan societies. Debt-financed housing expenditures also supported business profits.

The fundamental Schumpeterian view (also that of Keynes and Kalecki) that the process of entrepreneurs investing and bankers financing these investments leads to profits as a distributional share was violated in the post-Second World War economy where debt-financed government spending and mortgage-financed household purchases of new housing (facilitated by government endorsements) generated profits. The role of bankers as the *ephors* of the decentralised market economy was reduced when government took over the responsibility for the adequacy of profits, of aggregate demand. The flow of profits that followed from the deficits of government and from debt-financed housing construction meant that the internal cash flows of firms could finance their investments. Managements of established firms which had some market power that protected them from competition could be independent of their investment bankers: there was no need to use market intermediaries to finance investment. What borrowing such firms did was from a number of banks and markets: firms rather than bankers were the masters of the private economy.

Corporate managements were also independent of their stockholders: no individual stockholder in the great firms could challenge management. With the attenuation of owners' interests, corporate Board of Directors became beholden to management. The result was management autonomy, which presumably was beneficial, because it enabled the firms to take long views: the short-run bottom line was not the binding constraint upon investment decisions: doing well enough was sufficient. Furthermore the size and scope of managerial perquisites was not constrained by owners or bankers.

The flaw in managerial capitalism is the assumption that enterprise divorced from banker and owner pressure and control would remain efficient. In fact such managerial firms became bureaucratised. There is an internal contradiction in managerial capitalism: the drive for profits and efficiency as well as the response to market forces are filtered through bureaucracies which become prisoners of tradition. Routines are standardised in order to protect the individual bureaucrat from responsibility for his actions. Problems of bureaucratic succession undermined the efficiency that managerial capitalism promised. State-mandated protection in the form of regulated and controlled markets followed. Lemon socialism, in which the state takes over otherwise failing enterprises, is part of the legacy of managerial capitalism.

The post-Second World War big government capitalist regimes gave rise to an unprecedented period of prosperity before bureaucratic stagnation set in: big government capitalism proved to be more recession and depression resistant than pre-depression small government capitalism. However the government was big because of military and transfer payments: governments increasingly underwrote consumption rather than resource creation.

The social policies of this era led to the emergence of private pension funds to supplement the national Social Security systems. Furthermore as the era progressed, individual wealth holdings increasingly took the form of ownership of the liabilities of managed funds rather than the holding of a portfolio of the liabilities of individual businesses.

MONEY MANAGER CAPITALISM

The welfare state big government managerial capitalism largely but not completely divorced business profits (cash flows) from private investment. As variations in government deficits offset the effect of variations in private investment upon aggregate profits, the downside potential of aggregate profits was much constrained in the post-Second World War economy. This implied that the downside vulnerability of the profits of firms which had secure market positions was much lower than in a small government capitalist economy. It followed that the margins of safety which entered into the building of liability structures which reflected earlier experience were too big: the safe level of indebtedness was higher in the postwar economy than hitherto.

Given the tax laws and the way markets capitalised income streams in the 1980s, the total market valuation (value of equity shares plus bonds) of a highly-indebted firm was typically greater than the market valuation of a more conservatively financed firm. A market in the control of firms developed: the fund managers whose compensation was based upon the total returns earned by the portfolio they managed were quick to accept the higher price for the assets in their portfolio that resulted from the refinancing that accompanied changes in the control of firms. In addition to selling the equities that led to the change in control the managers of money were buyers of the liabilities (bonds) that emerged out of such refinancing.

The independence of operating corporations from the money and financial markets that characterised managerial capitalism was thus a transitory stage. The emergence of return and capital-gains-oriented blocks of managed money resulted in financial markets once again being a major influence in determining the performance of the economy. However, unlike the earlier epoch of finance capitalism, the emphasis was not upon the capital development of the economy but rather upon the quick turn of the speculator, upon trading profits.

Keynes' famous remark about speculation and enterprise is especially relevant for money management capitalism:

> Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of speculation. When the capital development of a country

> becomes the by-product of the activities of casino, the job is likely to be ill-done. The measure of success attained by Wall Street, regarded as an institution of which the proper social purpose is to direct new investment into the most profitable channels in terms of future yields, cannot be claimed as one of the outstanding triumphs of laissez-faire capitalism – which is not surprising, if I am right in thinking that the best brains of Wall Street have been directed towards a different object.[14]

Money managers who actively managed portfolios trade their assets as they pursue higher total returns. However, they trade large blocks – multi-million dollar transactions are the norm. The specialist system of floor trading on the New York Stock Exchange is not set up to handle such large trades. The fund managers could not trade the items in their position through the public market, either buy or sell, without moving the market, i.e. the price of that they wish to sell would drop as they tried to sell even as the price of that they wished to buy would rise as they tried to buy.

As the portfolios being managed grew and as active management replaced a passive buy-and-hold strategy for managed money (as the short view replaced the long view) demand for the services of position-takers emerged. Organisations which would buy securities for their own portfolios, with the object of selling position to some other portfolio manager or to break the purchase into smaller units, began to make large profits from trading securities. For the large funds the market never was a broker market, it always was a dealer market. As managed money grew in relative importance, more and more of the market for financial instruments was characterised by position-taking by financial intermediaries. These positions were bank-financed. The main financial houses became highly-leveraged dealers in securities, beholden to banks for continued refinancing.

A peculiar regime emerged in which the main business in the financial markets became far removed from the financing of the capital development of the country. Furthermore, the main purpose of those who controlled corporations was no longer making profits from production and trade but rather to assure that the liabilities of the corporations were fully priced in the financial market, to give value to stockholders. The giving of value to stockholders took the form of pledging a very high proportion of prospective cash flows to satisfy debt liabilities. This prior commitment of cash meant that there was little in the way of internal finance left for the capital development of the economy. What concerned Keynes in the cited passage from *The General Theory* is a marked characteristic of money manager capitalism. The question of whether a financial structure that commits a large part of cash flows to debt validation leads to a debacle such as took place between 1929 and 1933 is now an open question.[15]

CONCLUSION

Both Keynes and Schumpeter had a vision of a monetary production economy. Their preferred subject was the capitalist economy. In the development of the standard interpretation of Keynes, money was treated as exogenous. In the newer readings of Keynes money is endogenous; it grows out of the financing of industry and trade. Schumpeter's vision of money was that it emerged out of the credit apparatus of the economy. Keynes and Schumpeter had similar visions of the role of the monetary mechanism.

Schumpeter brought to the analysis of a monetary production economy the sense of the economy as an evolving institutional structure. Nowhere is market-driven institutional evolution (innovation) more apparent than in the financial sphere. Thus the rapid changes in the monetary and financing usages that have characterised the past 45 years of successful capitalism would have been well understood by both Schumpeter and Keynes.

In the present stage of development the financiers are not acting as the *ephors* of the economy, editing the financing that takes place so that the capital development of the economy is promoted. Today's managers of money are but little concerned with the development of the capital assets of an economy. Today's narrowly-focused financiers do not conform to Schumpeter's vision of bankers as the *ephors* of capitalism who assure that finance serves progress. Today's financial structure is more akin to Keynes' characterisation of the financial arrangements of advanced capitalism as a casino.

The Schumpeter–Keynes vision of the economy as evolving under the stimulus of perceived profit possibilities remains valid. However, we must recognise that evolution is not necessarily a progressive process: the financial evolution of the past decade may well have been retrograde. Even as Communism collapses, the problems created by the activities of the money managers of the 1980s indicate that destructive recessions and depressions, which so concerned Schumpeter and Keynes, are not necessarily history. It is appropriate to be concerned about the form that capitalist development will take: the 'victory' of the winter of 1990 may be transitory.

This brings us back to the halls and offices of Littauer.

Notes

1. Only complex dynamics can do justice to Schumpeter's vision. This arcane branch of mathematics has become accessible and useful only as computer simulations have generated insights into processes that are at times self adjusting and at other times incoherence-breeding. For examples of what modern mathematics can handle, see Richard H. Day 'Irregular Growth Cycles', *American Economic Review* June 1982 and 'The Emergence of Chaos from Classical Economic Growth', *Quarterly Journal of Economics*, May 1983 and Jean-Michel Grandmont and Pierre Malgrange, 'Nonlinear Economic Dynamics; Introduction', *Journal of Economic Theory* 40, 3–12, 1986.
2. Joseph A. Schumpeter, *Ten Great Economists: From Marx to Keynes* (New York: Oxford University Press, 1951) p. Ci.
3. Op. cit., p. 249. Schumpeter goes on to say that Mitchell 'analyzed the relations that bind "prices together in a system of prices through time" [Schumpeter was paraphrasing Arthur Burns] which led him quite naturally to the study of business cycles as the first step toward a general theory of the money economy of today . . .'.
4. Ibid., p. 252.
5. Schumpeter, *Ten Great Economists*, pp. 252–3.
6. The contrast between The Economics of Keynes and Keynesian Economics refers back to A. Liejonhufvud *On Keynesian Economics and the Economics of Keynes* (New York: Oxford University Press, 1968). The Harvardian Keynesian economics of Schumpeter's time virtually ignored the analysis of Chapters 12 and 17. In their view the objective circumstances of income flows dominated the subjective elements of expectations and portfolio possibilities that led to the determinants of asset prices and therefore of investment. A. Hansen, *A Guide to Keynes* (New York: McGraw-Hill, 1953) puts forth a view which emphasises the consumption function and plays down the significance of Chapters 12 and 17 of *The General Theory*.
7. By focusing the credit facet of money Schumpeter clearly is in the 'endogenous' money camp. This leads to a view of the monetary process in which Central Bank autonomy is clearly constrained. Credit demand arising from innovating entrepreneurs leads to new credit instruments and new forms of money. On the endogeniety of money as a dynamic process, see H. P. Minsky *Central banking and Money Market Changes, QJE* 1957.
8. When governments use the banking system to force a surplus profits result, just as when investment is financed. However degenerate public policies can lead to the allocation of the surplus to non-constructive uses: qualitatively the profits that result differ. As the aggregate of profits available to fulfill business financial obligations depends upon the combined impact of investment and government deficits upon aggregate demand, the purely formal adequacy of profits can be divorced from the constructive use of the surplus to create resources.
9. J. M. Keynes, *The General Theory* of Employment, Interest, and Money (New York: Harcourt, Brace and Company, 1936) p. 135: 'When a man buys an investment or a capital asset, he purchases the right to a series of prospective returns, . . . This series of annuities Q_1, Q_2, . . . Q_n, it is convenient to call

the *prospective yield* of the investment. . . . Over against the prospective yield of the investment we have the *supply price* of the capital asset . . .'.

By using liquidity preference to develop the price system of financial and capital assets which then can be compared to the *supply prices* of newly-produced investment output, Keynes completed a theory of money which went beyond the orthodox quantity theory and which was compatible with the decision processes in a capitalist economy. The black box of 'How does money work its magic?' was replaced with a rational decision process, albeit in a world where knowledge was imperfect and decision-makers understood that they may be wrong.

10. *The Theory of Economic Development* (Cambridge Mass.: Harvard University Press, 1936).
11. Robert Lucas, *Models of Business Cycles*, Yrjo Jahnsson Lectures (Oxford: Basil Blackwell, 1987). Lucas asserts that 'Any economic model is going to have at its center a collection of hypothetical consumers whose decisions, together with the technology and market structure, determine the operating characteristics of the system and whose welfare is the explicit subject of normative analysis.' This view is foreign to the vision of Schumpeter and Keynes which places entrepreneurs and bankers at the centre of the economic process.
12. The banks of this period often combined investment and commercial functions.
13. M. Kalecki, *Selected Essays on the Dynamics of the Capitalist Economy 1933–1970* (Cambridge: Cambridge University Press, 1971) and H. P. Minsky, *Stabilizing an Unstable Economy* (New Haven: Yale University Press, 1987). See also S. Jay Levy and David A. Levy, *Profits in the Future of American Society* (New York: Harper & Row, 1983).
14. *The General Theory*, p. 159.
15. M. Lewis, *Liars Poker* (New York, W. W. Norton & Company, 1989) is a fun and games description of Wall Street and London in the age of managed money. The furthest thing from the mind of the leading operators at Salomon Brothers was the capital development of the country. Bankers were not Schumpeter's *ephors*.