

The Wealth of Ideas: A History of Economic Thought. *By Alessandro Roncaglia.* New York: Cambridge University Press, 2005. xiv + 582 pp. Index, notes, references. Cloth, \$110.00. ISBN: 0-521-84337-5.

Reviewed by Geoffrey M. Hodgson

This wide-ranging and ambitious history of economic analysis is a translation by the author of his volume in Italian, *La ricchezza della idee*. It consists of eighteen chapters, the first of which is a defense of the importance of the history of economic thought in the ongoing development of the subject. A short final chapter considers the state and direction of economics today.

In between, there are sixteen long chapters, addressing the material mostly in chronological order. The “prehistory” of political economy is discussed in chapter two, offering notes on economic ideas from classical antiquity to the Middle Ages. Then follow a succession of chapters on William Petty; various eighteenth century thinkers; Adam Smith; economics at the time of the French Revolution; David Ricardo; the later Ricardians; Karl Marx; the marginalist revolution; the Austrian school; general economic equilibrium; Alfred Marshall; John Maynard Keynes; Joseph Schumpeter; Piero Sraffa; and the current “age of fragmentation” in economics. Although Léon Walras pioneered general equilibrium theory in the 1870s, this theory did not become influential until after the Second World War. Hence one wonders why the chapter on general economic equilibrium precedes those on Marshall and Keynes.

Dealing with such a range and depth of material within a few hundred pages is a huge challenge. However, there are several existing histories of economic thought of similar scope, including Mark Blaug’s *Economic Theory in Retrospect*, Robert Heilbroner’s *The Worldly Philosophers*, Eric Roll’s *History of Economic Thought*, Joseph Schumpeter’s *History of Economic Analysis*, Ernesto Screpanti and Stefano Zamagni’s *Outline of the History of Economic Thought*, and several others. It is appropriate to ask what is distinctive and important about this most recent attempt to summarize the history of economics.

Clues to an answer are provided from the chapter headings, summarized above. In a book of no more than sixteen historical chapters, the devotion of one whole chapter each to Smith, Marx, Marshall, Keynes, and Schumpeter can be justified, as by most accounts these are major figures in the history of the discipline. But why devote *two* chapters to Ricardian economics; does this suggest that Ricardo is even more important? And why assign a whole chapter to Sraffa? Few would accord him equivalent stature to Smith, Marx, Marshall, Keynes, or Schumpeter. His ideas today are rarely cited or discussed in leading academic journals. One can easily nominate a list of figures that equal or exceed the importance of Petty and Sraffa, and thus qualify for a single chapter, such as Thomas Robert Malthus, John Stuart Mill, Gustav Schmoller, Carl Menger, Thorstein Veblen, John R. Commons, Frank Knight, Ludwig von Mises, Friedrich Hayek, Gunnar Myrdal, Kenneth Arrow, Herbert Simon, and many others. Roncaglia does not accord them the same rank.

Those acquainted with Alessandro Roncaglia's earlier writings will already have an explanation for his choice of emphasis. Some of his earlier theoretical work was devoted to Sraffa-type analysis of prices and distribution. Some of the roots of the Sraffian approach can be traced back to Ricardo. Roncaglia also produced an earlier work on Petty. The volume under review thus reflects the preoccupations of its author.

Every historian has his or her favorites, and biases in the choice of key figures are inevitable. Nevertheless, and especially when they go against the grain, they require some justification. Furthermore, the costs of downgrading or omissions must also be counted. A possible justification for Roncaglia's choice of emphasis is found in a persistent and characteristic theme of the volume. He contrasts "objective" theories of value, based on physical costs and surpluses, with "subjective" theories, based on notions of scarcity and utility. Although many authors combine such notions, economists like Petty, Smith, Ricardo, Marx, and Sraffa incline toward an "objective" approach, while neoclassical and Austrian-school authors are associated with "subjective" theories. Roncaglia's own alignment with the "objective" approach clarifies the basis for his choices.

Unfortunately, however, the alleged dichotomy between "objective" and "subjective" approaches is left unresolved, and the dilemma, as it arises in the contemporary context, does not receive adequate discussion. To give primary or

exclusive support to an “objective” approach would seem to assume that physical inputs and outputs are somehow more “real,” exert more influence on the real economy, or are more “scientific” as data than the subjective evaluations of individuals. Such arguments are open to contention. Roncaglia alludes to this agenda but does not address it adequately. Key arguments are missing. Part of the problem is Roncaglia’s apparent weakness when it comes to the philosophy of economics. Unlike several rival histories of economic thought, his narrative is only weakly orchestrated with philosophical concepts. Although philosophically informed interpretations of critical figures in the history of economics have emerged in recent years, Roncaglia makes little use of this material.

The author’s biases lead to an unacceptable depreciation, not only of individuals but also of whole intellectual traditions. The German historical school dominated Western economics from the 1840s to the 1940s. Many leading economists, such as Alfred Marshall and John Bates Clark, studied in Germany under the tutelage of its adherents. Yet this school gets scant mention in the volume under review. Similarly, American institutional economics, which constituted the dominant school of thought in the United States during the interwar period, merits a few paragraphs only.

What was the most important and consequential debate among economists in the twentieth century? The great contest between capitalism and socialism dominated that era, and within economics it took the form of the “socialist calculation debate,” between von Mises and Hayek on one side and Oskar Lange and several others on the other side. In this volume, however, the debate is barely mentioned. Hayek’s prestige is regarded as primarily a side effect of the cold war; yet until the 1970s he was a marginalized figure and his reputation has grown since the collapse of the Soviet Bloc.

There are a number of minor errors. For example, it is alleged or implied that Marshall was an opponent of the historical school, and that he “imposed” Arthur Pigou as his successor in Cambridge. Both are false: Marshall lauded Schmoller and other members of the German historical school in his *Principles* and elsewhere, and Pigou was elected by a committee that Marshall influenced but did not control. As another example, the name of Thorstein Veblen is consistently misspelled as “Thornstein.” Yet, in picking up these errors, I have perhaps revealed some of my own biases as a reviewer!

In summary, this is an impressive, wide-ranging, and useful volume. However, it is also unbalanced and incomplete, reflecting a particular focus and interpretation of the history of the discipline that would require a much more persuasive effort in order to gain wide acceptance.

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