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Review of *John Stuart Mill: Victorian Firebrand*

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**Richard Reeves. *John Stuart Mill: Victorian Firebrand*. London: Atlantic Books. 2007. Pp. viii + 616. ISBN 978 1 84354 643 6. £30.00**

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*John Stuart Mill: Victorian Firebrand* opens in St James Park, on a warm summer's morning, with the teenage Mill striding to his office in Leadenhall Street in the financial heart of the City of London. Suddenly, Mill's attention is caught by a small bundle abandoned beneath an oak tree. Curious, Mill kneels down beside it and unwraps the layers of soiled blankets only to discover a dead, newborn baby. This grisly experience remained etched in Mill's mind for the duration of his life and was perhaps formative in shaping his views on the twin rights of life and liberty.

Britain then stood poised in the vanguard of economic industrialisation and opportunity, yet the lot of the working classes often remained quite harsh. With grinding poverty being the accepted norm for so many ordinary Britons, it was not uncommon for poor families, unable to fend for themselves, to abandon their children. The whole incident had so moved Mill that he decided to take it upon himself to bring about social change. Along with a friend, he toured the East End of London distributing pamphlets informing working class people about contraception, birth control and family planning issues. He was soon arrested for the circulation of obscene materials and duly appeared before a Bow Street Magistrate. Mill spent a couple of days behind bars, the only occasion in his life where he was deprived of his personal freedom. His immediate family and close friends fretted about the possible damage the arrest might cause to his future reputation. Many years later this 'Bow Street' incident induced William Gladstone to refuse to participate in a memorial for Mill. The possibility of such social snubs, posthumously or otherwise, was of no concern to Mill. He took the whole episode in his stride. From an early stage, Mill's 'resolute purpose' (2007, p. 3) had been the pursuit of those advanced liberal causes that he believed were worth fighting for, irrespective of any possible damage to his personal reputation. He remained, as John Morley (1917, 1, p. 55) once put it, 'a man of extreme sensibility and vital heat in things worth waxing hot about'.

Mill refused to sit back and play the role of detached philosopher and intellectual observer. He wished for his ideas and opinions actively to shape and improve the lot of those in all levels of society. The strength of this lively and illuminating new biography by Richard Reeves lies in the discussion of the central animating theme of Mill's life and work: individual liberty. At the core of Mill's liberalism was a 'clearly and repeatedly articulated vision of a flourishing human life—self-improving, passionate, truth-seeking, engaged and colourful—which it was the job of individuals to cultivate, and the duty of society to promote' (2007, p. 6). Mill's liberalism, then, formed a dramatic arc around every dimension of his life; its stated aim was to create, nurture and perpetuate a liberal culture founded on personal freedom, independent character, individual duty and self cultivation. This approach invariably led him to champion particular (usually unpopular) causes which attracted a good deal of acerbic comment from the political establishment of the day. Undeterred, Mill kept tackling those issues he deemed most pressing to society, not uncommonly adopting an uncompromising posture, with often disastrous personal repercussions. Mill gradually earned a reputation as an ardent partisan and accomplished polemicist, supporting a host of 'advanced liberal

causes' throughout his life, often drawing widespread opprobrium for his perversity and recklessness. (The satirical magazine, *Punch*, had a field day poking fun at Mill's crochets.) Again, Mill never demurred in the face of hostile voices. In fact, the role of the self-styled outsider was one he relished. If the cause was morally good, improved people's lives and thus enriched society, Mill would support it with all the intellectual muscularity and personal passion that he could muster. His doggedness often bordered on obstinacy.

In the Scottish lexicon, there is an expression, *thrown*, which refers to such obstinate and perverse behaviour. Richard Reeves explains that Mill's increasingly partisan activities often manifested themselves in perverse and unexpected ways, mostly in an obdurate refusal to be satisfied with the *status quo* and occasionally by reversing positions he had previously steadfastly held. Take, for instance, Mill's stance on the secret ballot. During the 1830s, he vehemently supported the secret ballot because he believed that voters needed protection from the coercion, bribery and intimidation levelled by the landed aristocratic interest that then dominated the British political landscape. By the 1850s, however, Mill no longer supported the secret ballot. He then felt that Britain had, in the intervening period, matured politically. Thus, voters should be able to express their political opinions freely in public. Such idealism, though entirely consistent with Mill's own projection of a liberal culture, diluted his standing among leading liberal and radical figures mainly because the secret ballot was a keystone in their electoral reform agenda. During his mature years, Mill also increasingly found himself aligned with the Tories on such issues as capital punishment and national service. There was in fact a range of public policy issues on which Mill displayed outwardly 'conservative' credentials, which sometimes put him offside with the liberal-cum-radical interest. It is fair to say that Mill never completely jettisoned the conservative influences he imbibed during his years of immersing himself in poetic culture. The retention of conservative strands in some of Mill's later work has attracted criticism from modern scholars (see, for example, Gertrude Himmelfarb 1974) who have argued that the residual conservative strains in his mature thought undermine the central unifying theme running through *On Liberty*: the idea of human progress within a liberal society. However, it is important to be aware, as Reeves reminds the reader, that Mill rarely composed a work merely for the sake of philosophical precision (2007, p. 119). When he put forward an analytical proposition or policy proposal, Mill always kept in mind the need to ground an argument in the principles underpinning the liberal culture that he so cherished. Inevitably, this sometimes involved sacrificing philosophical exactness for the ultimate goal of promoting and defending the central tenets of a liberal society.

Another facet of Mill's thought that has attracted both praise and derision is his shifting position on the role of government in the economy. Richard Reeves argues that Mill 'was vehemently opposed to centralized state control of the economy' (2007, p. 7). This judgment is entirely correct despite the fact that the *Principles of Political Economy* is littered with examples of government interventions that Mill *endorsed*. During the third quarter of the nineteenth century, a considerable amount of interest was generated by controversial issues such as women's suffrage and Irish land reform. These two iconic topics in the Mill canon have both been handled by Reeves in a careful and judicious manner. Mill actively supported government involvement in both cases, largely because the *status quo* was seen by Mill as inimical to the creation of the liberal society he envisaged. The primary obstacle in each case was outmoded customs and prejudices that

constituted a threat to individual freedom. If the instruments of the State could be mobilised to remove such impediments, then Mill had no qualms about sanctioning their use. There were, however, notable instances where the State had failed to secure the livelihoods and protect the interests of the most vulnerable members of society. Reeves, for example, dwells briefly on Mill's attitude to the Whig reforms of Lord Cornwallis in the Bengal Presidency during the late eighteenth century. Prior to British rule, the land tenure of small-scale farmers had largely been secure under a system of traditional property rights. Under the Cornwallis reforms, however, the economic position of small-scale tenant farmers in eastern India deteriorated markedly. They were stripped of their property rights by a new class of large-scale landholders known as *Zamindars* created by the British colonial administration. The motive of course was economic. The resemblance between the *Zamindars* and British landed aristocracy was not lost on Mill. Mill, an ardent supporter of peasant proprietorship in Ireland, lamented these State-led changes to land ownership on the sub-Continent; this despite his long-standing involvement (as senior East India Company mandarin) in the cause of empire. Mill's assessment of the situation was that the land tenure arrangements that had been in place in India before British rule were far superior to the Cornwallis reforms. Indeed, Mill believed that India and Ireland suffered from the common fate of being ruled and exploited by a colonial power whose priority was still to protect the economic interests of the metropolitan nation. Mill was in fact a staunch advocate of appropriating to Ireland the paradigm of peasant proprietorship which had prevailed in India during pre-colonial times, yet another tantalising example of the extent to which the pre-colonial experience in India could be harnessed in remaking the post-colonial situation in Ireland. Sadly, Mill's increasingly strident position on Irish land tenure reform marginalised the issue in Britain until several years after his death in 1873. It is nevertheless apparent that his views on land ownership in general and the Irish land system in particular relied heavily on his Indian experience, which suggests that the dismissive claim in the *Autobiography* that his 35 years of imperial service were insignificant to his intellectual development stands in need of some refinement. Mill scholars still await an exhaustive treatment of his India House activities, which remain largely shrouded in mystery.

Another key public policy issue of the day on which Mill expressed himself passionately, and which Reeves dwells upon, was education. He believed that government should take the lead in making a basic education available to all children. As with the recommendation to extend the political franchise to all adults (subject to appropriate checks to safeguard against the 'tyranny of public opinion'), Mill wanted people to be better educated as this would enable them to lead better lives, which would assist in promoting a healthy, vibrant and tolerant liberal society (2007, pp. 115, 268). His concerns were driven, perhaps unsurprisingly, by his own mode of private education. Yet, at the same time, he feared the stultifying consequences of a comprehensive public education system that tended to produce social constructs rather than individuals capable of expressing unorthodox and 'dissentient opinions'. 'A general State education', Mill declared, 'is a mere contrivance for moulding people to be exactly like one another' (2007, p. 289). He continued: 'All that has been said of the importance of individuality of character, and diversity in opinions and modes of conduct, involves, as of the same unspeakable importance, diversity of education' (*ibid.*). For Mill, the existence of heterodox (especially minority) opinions in society was paramount because the collision of opposing views was the crucible in which the truth was to be formed. 'Eccentricity

has always abounded when and where strength of character has abounded', wrote Mill, 'and the amount of eccentricity in a society has generally been proportional to the amount of genius, mental vigour, and moral courage which it contained. That so few dare to be eccentric marks the chief danger of the time' (2007, p. 295).

Mill's concern over the stifling effects of universal education also moulded his deep-seated suspicion of both democracy and socialism. Although he saw merit in both political systems, he felt that neither was capable of sustaining 'the greatest amount of human liberty and spontaneity' (2007, p. 227). Although Mill wanted to build cohesive democratic institutions and cultivate the idea of civic pride and citizen responsibility, the diverse make-up of society should not be compromised along the way. A vital component in securing these social goals was the extension of the political franchise. This, he hoped, would ensure that a larger number of individuals had a greater stake in their own future. As one of Britain's foremost public moralists, Mill agitated tirelessly to extend working class representation, all the while taking great pains to reign in working class domination, which he variously described as 'mere mob-government' or a 'despotism of the numerical majority' (2007, p. 311). The motive remained, as before, to ensure a 'fair representation of minorities' (2007, p. 311). In Mill's opinion the solution lay in requiring all voters to meet a minimum educational qualification. (Mill also recommended that MPs be required to meet a minimum level of education. The obvious wisdom underlying this conclusion has alas been lost to future generations.) During the late 1850s and early 1860s, Mill invested more time and energy casting around for mechanisms to staunch the flow of the 'majoritarian tide' (2007, p. 314), finally settling on Thomas Hare's proposal for proportional representation, a scheme that he described as 'the greatest discovery on representative government' (2007, p. 311). Until his death in 1873, Mill remained convinced that Hare's plan provided the answer to all the problems of modern democracy, but its practical import was less obvious to other political observers. It was not and has never been implemented.

Reeves also makes clear that, even with Mill's personal crochets in Ireland, women's suffrage and proportional representation and so on, Mill never wavered in his general commitment to liberty within the common domain, especially in his later years. There are, of course, several passages in the *Principles of Political Economy* that appear to suggest that Mill was receptive to socialism and communism. Mill's interest in comparative economic systems stemmed from an enthusiasm for cooperation in economic activities and the corresponding mutual benefits that would flow to both capital and labour in the form of higher profits and wages. It is indeed the case that Mill considered socialism a clear step forward compared to the then class-based hierarchy of British society. For some advocates of socialism, this is sufficient evidence to argue that Mill, under the influence of the redoubtable Harriet, was a fellow traveller. This view is both naïve and factually dubious. For Mill, the appropriate comparison lay between socialism and a reformed market economy. 'To make the comparison applicable', Mill opined, 'we must compare Communism at its best, with the régime of individual property, not as it is, but as it might be made. The principle of private property has never yet had a fair trial in any country; and less so, perhaps, in this country than in some others' (2007, p. 225). Mill, having carefully weighed up the costs and benefits of competing economic systems, arrived at a benchmark that was meant to facilitate a sensible judgment. 'The decision', Mill said, 'will probably depend mainly on one decision, *viz.* which of the two systems is consistent with the greatest amount of

human liberty and spontaneity' (2007, p. 227). Mill's concerns about socialism and communism arose from his liberalism: the need to foster individual freedom remained paramount. As Mill wrote:

No society in which eccentricity is a matter of reproach, can be in a wholesome state ... It is yet to be ascertained whether the Communistic scheme would be consistent with that multiform development of human nature, those manifold unlikenesses, that diversity of tastes and talents, and variety of intellectual points of view, which not only form a great part of the interest of human life, but by bringing intellects into stimulating collision, and by presenting to each innumerable notions that he would not have conceived of himself, are the mainspring of mental and moral progression. (2007, p. 227)

Mill remained, as Reeves has convincingly shown, 'a liberal, a democrat and a socialist—in that order' (2007, p. 7).

Reeves' careful reading of Mill's position on liberty in the wider market place is matched by his judgments on Mill's mental and emotional constitution, a constitution that has been the subject of considerable scholarly diagnosis over many years. Indeed, one of the positive outcomes of Reeves' biography lies in his attempt to challenge several caricatures that have, over time, coalesced around public opinion concerning Mill's emotional and intellectual development. Three examples are considered here. The first concerns the role of James Mill in the 'unusual and remarkable' education of his son, once described by the twentieth-century philosopher, Isaiah Berlin, as 'an appalling success' (2007, p. 12). Looked at this way, James Mill is normally vilified for the harsh educational regimen that he imposed on *all* his children. This view has often been rehearsed by Mill scholars and biographers whose conclusions remain coloured by modern educational expectations and standards. Reeves provides a more nuanced and even-handed assessment that focuses on Mill's own characteristically balanced evaluation of his education as an essential foundation for his later success. 'If I have achieved anything, I owe it', Mill opined, 'to the fact that through the early training bestowed on me by my father, I started, I may fairly say, with an advantage of a quarter of a century over my contemporaries' (2007, p. 26). In Reeves' account, James Mill emerges in a softer autumnal light as someone concerned about the welfare of his progeny and not entirely devoid of parental feeling.

The second matter canvassed by Reeves relates to Mill's prowess as an orator (2007, p. 46). In contrast to the classical orators that he studied, Mill never went on to become a great public speaker. His forte remained the written word. It has been well documented that he possessed a thin voice. His maiden speech to the House of Commons following his electoral victory in the seat of Westminster in the 1865 General Election was described, even by his closest admirers, as a resounding failure. Yet, as an MP in the 1860s, his oratory skills gradually improved. He began to revel in the House of Commons banter with the Tory opposition, subjecting the lawyers William Shee and Abraham Hayward to a barrage of droll put-downs, while leaving his own benches clutching their sides in mirth. When asked for example to withdraw a remark about the Tories being 'the stupidest party', Mill offered the following apology, as recorded in Hansard: 'I did not mean that Conservatives are generally stupid; I meant, that stupid people are generally Conservative. (Laughter and cheers.) And I do not see why the honourable gentlemen should feel that position at all offensive to them; for it ensures their

always being an extremely powerful party. (Hear hear.)' (pp. 374-5) (The Tories struck back, of course, with their own well-orchestrated campaign intended to discredit those issues with which Mill was associated.)

A third issue turns on Isaiah Berlin's remark that Mill was renowned for his 'total lack of humour' (2007, p. 248). Reeves persuasively argues, however, that the image that normally attaches to Mill in the literature as someone who was an austere, analytical, 'black-coated Victorian prude' (2007, p. 262) is neither fair nor accurate. In fact, contrary to received wisdom, Mill possessed a light-hearted side and a droll sense of humour. His published and unpublished writings are punctuated with playful metaphors, amusing anecdotes and clever retorts. Thus: 'If to have been to University be the end of education there is no doubt that by going to University that end may be most effectually attained' (2007, p. 46); 'I cannot bestow upon Bulwer's article any milder name than despicable ... God grant that nobody may read it, or that whoever does, will instantaneously forget every word of it' (2007, p. 141); and, when asked in the House to reconcile his views on limiting the size of working class families with the 'Scriptural injunction, that we are to increase and multiply', Mill replied, 'It says we are to eat and drink, but not over-eat and over-drink ourselves. (Cheers and laughter.)' (2007, p. 364). Reeves here reveals that Mill himself was fully aware of the importance of possessing a natural sense of humour: it is 'a great defect in a character', Mill thought, 'to be without lightness ... A certain infusion of the laughing philosopher ... is a prodigious help towards bearing the evils of life, and I should think has saved many a person from going mad' (2007, p. 249).

Another facet of Mill's portraiture that Reeves thoughtfully re-examines is whether Mill was a 'Taylor-made man' (Lipkes 1999, p. 76), a reference to Harriet Taylor's 'almost hypnotic control of Mill's mind' (Packer 1954, p. 315). Of course Mill himself went to great lengths in the *Autobiography* to emphasise Harriet's pivotal role in his intellectual journey, describing her as a 'consummate artist' (2007, p. 229). Accordingly, most commentators have taken Mill at his word, but in the view of Alexander Bain, Mill's friend and first biographer, 'he outraged all reasonable credulity in describing her matchless genius, without being able to supply corroborating evidence' (Bain 1882, p. 171). As a result, Harriet's contributions have not, until recently, been carefully studied on their own merits. Bruce Kinzer (2007) has recently demonstrated that Harriet's influence during the decade of the 1830s was restricted to the development of Mill's emotional side. Her intellectual influence grew, to be sure, during the following two decades but, as argued by Reeves, many of the revisions that Mill made to his seminal works owed much less to Harriet's thought than has commonly been perceived. Reeves indicates where there were clear differences of opinion between them. He concludes that, '[w]hatever Mill said [in the *Autobiography*], Harriet never directly dictated his views, but as two intelligent, passionate people, they certainly debated them' (2007, p. 230).

In this lucid, well-written and engaging biography of Britain's greatest nineteenth-century philosopher and public intellectual, Richard Reeves has carefully and successfully interlaced Mill's personal story with his intellectual ideas and engagements to produce a coherent and rounded portrait of an immensely important Victorian personality. In an account that will appeal to both the dilettante and serious scholar alike, Mill is portrayed as an ardent partisan and talented polemicist who in life relentlessly pursued those personal crochets and causes that were considered vital in projecting his vision of an open, tolerant liberal culture founded on individual initiative. In short, Mill was a passionate firebrand in whose

restless curiosity and energy the era's momentous political and social transformation was embodied. Mill's story is the history of nineteenth-century liberalism. He was its greatest champion, exponent and defender, often braving derision for the things he did, said and wrote, particularly during the final decade of his life. Yet, it is surely a measure of the stature of the man and the *gravitas* of his intellectual arsenal that opinions on his place within the Victorian pantheon still remain so decisively divided. For Reeves, Mill's 'legacy rests not only in the power of his thought, however, but also in the inspiring conduct of his life—the finest example of thought in action of the last two centuries ... The world he left was unquestionably better for his efforts. It still is' (2007, p. 487).

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<p><b>Bruce L. Kinzer. <i>J. S. Mill Revisited: Biographical and Political Explorations</i>. Basingstoke: Palgrave Macmillan. 2007. Pp. x + 248. ISBN 1 4039 8068 3. £45.00.</b></p>
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The commemorative John Stuart Mill bicentennial conference held at University College London in June 2006 has generated renewed interest in the life and work of this notable Victorian personality. In this latest offering, Bruce Kinzer, the veteran of several scholarly works focusing on various aspects of Mill's political thought, has presented his latest deliberations in a work that focuses on two important and



overlapping subjects: the first group of chapters cover certain familiar biographical themes relating *strictly* to Mill's formative years while the latter half of the book delves into various facets of Mill's political thought and activities in relation to the ebb and flow of Victorian political life. The overall result is a finely balanced group of essays in which the author, with impressive nuance and lightness of touch, probes into pertinent features of Mill's intellectual biography.

Commentaries on the public and private lives of John Stuart Mill tend to rely heavily upon his *Autobiography*. Kinzer's latest work is no exception. However, while Mill's *Autobiography* remains a fountain of indispensable information on the earlier phase of John Stuart Mill's life story, it is not always a reliable source of judgments about these years. As is well known, the *Autobiography* commences with an account of the rigorous and unconventional childhood education Mill endured under the 'watchful eye' of his authoritarian father, James Mill, a dour, humourless Scot, who emerged during the early nineteenth century as the chief guardian of the 'greatest happiness principle'. Kinzer strikes a convincing note in encapsulating the overriding influence exercised by James Mill in the formation of his son's moral capacities, intellectual abilities and character. In a subtle account, Kinzer broadly endorses the received view, as advanced most recently in the fine biography of J. S. Mill by Nicholas Capaldi (2004), that James Mill 'hampered his son's development of a coherent identity' by imposing an educational regime that favoured analysis and reason over imagination and feeling. As a young man, John Stuart Mill came to the sudden realisation that the education imparted by his imposing father had been deficient in its failure to cultivate those poetic and romantic elements that he considered essential to developing a more rounded, independent and happy personality. This realisation produced, in Stefan Collini's (1991, p. 122) words, 'one of the best known identity-crises in history'. Much has understandably been made of Mill's account of his 'mental crisis' in the *Autobiography*—the solitary reference to this pivotal episode—and the pervasive part James Mill played in the sudden change in his son's temperament. Kinzer remains consistent and methodical as he evaluates James Mill's faults and virtues as father, thinker and teacher. He persuasively argues that Mill's decision to compose his *Autobiography* was motivated 'in very considerable part by the need to raise the ghost of his father, James Mill, and lay that ghost to rest' (Kinzer 2007, p. 9). Yet, Kinzer refrains from hypothesising that the relationship between father and son ultimately disintegrated. In fact, John Stuart Mill's own testimony toward his father in the *Autobiography* remained generous without, of course, ever descending into hagiography.

By the autumn of 1826, John Stuart Mill, now aware that the apprenticeship that he had served under his father had passed its apogee, began to embark upon a new transitional phase in his own intellectual and emotional development. It took time for Mill to chisel out a new course of his own devising. This did not mean that Mill had no further need for his father. For instance, the two continued to work in close concert at the London headquarters of the East India Company in Leadenhall Street. Here James Mill lent his eldest son considerable assistance in relation to the practical day-to-day duties of the Examiner's Office. Likewise, the precocious son proved an invaluable ally in the defence of James Mill's *Essay on Government*, shoring it up against the withering attack that Thomas Macaulay had launched upon the utilitarian logic of the elder Mill's mode of political reasoning. But, in other more pressing areas of his life, John Stuart Mill no longer fell under the direct jurisdiction of his father. 'The problem faced by the

younger Mill in 1826', as Kinzer (2007, p. 40) explains, 'involved what to make of what he had been given, and how to give himself the emotional nourishment his father had failed to supply'. This undertaking, which involved an assertion of independence that produced considerable personal anguish, ultimately led him into the welcoming arms of Mrs Harriet Taylor, but not before he had found solace in the romantic poetry of William Wordsworth and Samuel Coleridge, the philosophic ideas of Continental thinkers such as Saint Simon, and the camaraderie of such gifted contemporaries as John Sterling, William Eyton Tooke, Thomas Carlyle and Henry Cole. Contemporaries paint a portrait of Mill as an attractive and likeable young man with an easy-going demeanour and personable nature, a far cry from the tortured soul that had fallen into a chasm of mental despair only a few years earlier. For the first time in his life, Mill was surrounded by a close circle of friends who valued him for his companionship and philosophic predisposition rather than his intellectual pedigree.

The second half of the 1820s heralded the awakening of Mill's poetic voice and Kinzer provides an exhaustive account of Mill's willingness to investigate the fertile intellectual terrain left untrodden by his father. 'Neither the motive nor the content of John Mill's program of internal culture could', he says, 'elicit James Mill's understanding or support. Wordsworth, Coleridge, Sterling, the Saint-Simonians—such men had nothing to say to James Mill, and he had nothing to say to them' (Kinzer 2007, p. 63). Nor was it long before Mill began to extend the scope of his social and intellectual habitat to incorporate other like-minded young radicals, several of whom straddled the Unitarian and Utilitarian movements that were integral to London radicalism. By the early 1830s, Mill found himself wrapped in the impassioned brace of the South Place circle, which was then dominated by the other-worldly figure of William Johnson Fox whose Unitarian congregation included various strains of political radicalism. Fox, a charismatic Unitarian pastor well known for his then unorthodox views on marriage (such as that it should be a union between equals), took it upon himself to introduce the aspiring young intellectual, Mill, to the very chic and very married Harriet Taylor, who was once described as possessing 'a small head, a swan-like throat, and a complexion like a pearl' (quoted in Hayek 1951, p. 25). It is not certain why Fox decided to introduce the two young people to each other. Perhaps he thought that Mill's enjoyable and stimulating company would raise her flagging spirits. Whatever the reason might have been, Harriet Taylor and John Stuart Mill do seem to have taken cultural pleasure in each other's company: what began as a fledging friendship gradually grew into a more intimate relationship that became the object of lurid gossip within London's polite middle-class circles. The speculation caused an irrevocable rift between Mill and several close family members and friends who endeavoured to counsel him, explaining that his ill-judged dalliance had violated the canons of upright conduct. The intensity and complexity of the relationship between Mill and Taylor placed a considerable strain on Harriet and John Taylor's marriage. The resolution contrived by Harriet, known for exerting 'an authoritarian influence over the emotional lives of those with whom she was intimate' (Kinzer 2007, p. 110), was an awkward triangular compact that permitted Mill to visit Harriet at her Regent's Park residence when John Taylor was absent and to be seen in public with her on carefully chosen occasions. Kinzer explains that, despite such seemingly intractable problems, Mill was prepared to tolerate the highly unusual arrangement because he had succumbed to Harriet's 'emotional aggressiveness' (Kinzer 2007, p. 100) in order to cultivate those aesthetic faculties that would permit him to jettison

what remained of his father's initial influence. It is unlikely that Harriet found the peculiar domestic situation that she had carefully constructed as intolerable as her young suitor, for she possessed 'a prodigious emotional resilience and a crafty self-fashioning' that carried her 'through the thickets' (Kinzer 2007, p. 110).

There is now a considerable body of scholarship which ascribes a central place to Harriet Taylor in shaping Mill's emotional and intellectual development (see, for example, Hayek 1951; Stillinger 1983; Rose 1984; Mendus 1994; Jacobs 2002). Kinzer challenges the veracity of this interpretation. He argues thus: 'Harriet Taylor's influence on his emotional life during the 1830s did not spill over into the intellectual and political spheres' (Kinzer 2007, p. 110). He continues: 'When she [Harriet] declared that she knew things of which he was ignorant, she was making no claim for her superior learnedness or intellectual acuity, but rather for her surpassing insight into matters involving "human feeling and character"' (*ibid.*). In fact, Mill acknowledged as much in the *Autobiography* when he wrote: 'The poetic elements of her [Harriet's] character, which were at that time the most ripened, were naturally those which impressed me first, and those years were, in respect of my own development, mainly years of poetic culture' (Mill 1981, p. 198). Although Kinzer's account of Harriet's influence on Mill is limited to the 1830s, it nevertheless leaves the reader with a far better narrative concerning the astonishing drama of Mill's aesthetic development than has hitherto been detailed. Still, it is a shame that Kinzer's account of Harriet's influence over the direction of Mill's intellectual progress, one of the most contested issues in Mill scholarship, deliberately omits any examination of her impact during the 1840s and 1850s when the depth of their intellectual and emotional bond grew stronger.

The second set of chapters in this volume deal with Mill's political leanings from the early 1830s until the late 1860s. The fusion of biographical and political elements throws invaluable light on Mill as political radical, public intellectual and champion of 'advanced liberal' causes, carefully chronicling the role as an outsider, a role in which Mill deliberately cast himself from the outset of his public career.

During the years in which Mill began to absorb the 'poetic culture' of Harriet Taylor, the romantic writers and Continental philosophers, he also made a conscious decision to establish a reputation for himself as a radical political commentator. Mill's preparation of fugitive pieces of political journalism soon won for him a reputation for political activism. His tirades against the political establishment then dominated by the aristocratic landed gentry, whether they be Whig or Tory, were intended to demonstrate the provincialism and poverty of English political life as against the fluidity and fecundity of France's political landscape. Mill excelled at this sort of forensic political narrative but these indulgences seem to have tarnished his posthumous reputation. While his admirers cherished his every syllable, Mill's detractors neither forgot nor forgave him. Kinzer emphasises here that the emergence of Mill as an independent political commentator capable of influencing English public opinion could only be achieved following, first, the decisive intellectual and emotional break from his father and, second, the gradual realisation that he had reached the point in his own intellectual and emotional journey where he was capable of shaping and managing his own thoughts and affairs. The yoking of these two themes allows a more nuanced view of Mill to emerge that lays emphasis upon his capacity for personal and intellectual growth following his much commented upon mental trauma.

An important early example of Mill's distinctive political radicalism was his advocacy of secret voting as an important control mechanism accompanying the

passing of the 1832 Reform Act. During the 1830s, Mill believed that the political activities of the two dominant parties—the Whigs and Tories—served landed interests and preserved the political privileges of the aristocracy at the expense of the body politic. Electoral intimidation and bribery, Mill believed, remained widespread and so underpinned the political dominance of aristocratic interests. By the 1850s, however, Mill had become a fervent opponent of the ballot because he believed that the Reform Act had so altered the social and political condition of England in the intervening twenty years that secret voting was neither necessary nor desirable. Kinzer, who published his own views on the matter in an article in *Historical Reflections* some years ago (see Kinzer 1978), has performed an admirable task in unravelling the shifting contours of Mill's position on the ballot question. Mill's changing position on the ballot underscores that sense of his own intellectual and political independence as well as highlighting the more mature reflections of a political philosopher and public moralist (as opposed to those of a young radical propagandist). As Kinzer (2007, p. 156) remarks: 'Mill owed no debts to any party or group, and the authority he possessed stemmed from his remarkable achievements as a philosopher and political economist'. What is surprising here is that this and related topics have not received anything like close attention from Mill scholars in the intervening period, an indication of the fact that Mill scholarship today is dominated by philosophers rather than historians, economists or political scientists.

In addition to the ballot question, Mill was remarkably well informed about a host of other political issues that impacted upon English (and French) society. Indeed, many advanced liberals and prominent radicals looked to Mill for intellectual and political guidance during the mid-Victorian era. After all, Mill enjoyed the 'ear of England' and never hesitated to bend it in order to influence the direction of national debate on topical issues of the day. Nowhere was this more obvious than during the final fifteen years of his life 'where he revealed himself to be avowedly partisan and, when roused to a pitch of moral outrage, violently polemical' (Collini 1991, p. 121). The sense of independence to which Mill aspired in his personal and professional lives found expression in his strictures on the role of party politics in British political life during the mid-Victorian period. Kinzer (2007, p. 165) carefully explains that Mill eschewed the advances of Whigs and Tories alike because both parties were wedded to the preservation of aristocratic privilege and remained committed to the formation of a genuine radical party 'dedicated to the extinction of aristocratic government and the democratization of British institutions and society'. The evolution of Britain's political institutions coupled with the extension of the political franchise to cover all adult working men and women would, Mill believed, greatly enhance the effectiveness of the electoral system. Yet Mill remained ambivalent as to the ability of a Westminster parliamentary democracy to deliver decisive 'improvements to mankind'. His own personal commitment to the political process spurned narrow party lines, even though he was voted into Parliament in 1865 as one of Westminster's two liberal MPs. He remained supportive of a Liberal Ministry in the House of Commons, although he himself insisted during campaign hustings that his duty was to represent his electorate as an 'independent' liberal candidate. A common refrain in Mill's mature political writings was that the 'existing electoral system, dominated by petty party interests and local political networks, prevented men of ability and independent mind from obtaining seats in the House of Commons' (Kinzer 2007, p. 196). Mill aimed to act in the best interests of his electorate regardless of the

pressures that might be exerted from within his own party. His own well-known intransigence on such grave issues as the reform of the Irish land system and the campaign to prosecute Governor Eyre brought him into direct conflict with members on both sides of the House of Commons. Mill, the champion of minority or ‘dissentient opinions’, nonetheless remained intransigent, steadfastly refusing either to moderate his political template or tone down his rhetoric, even though these were very often self-defeating, exaggerated and intemperate. During his final decade, Mill’s conduct both inside and outside the parliamentary arena reinforced his commitment to a new political order that sought to elevate the material and moral condition of the people without, however, sacrificing the higher ideals of character, independence and individual liberty. In his *Autobiography* Mill wrote: ‘The same idea, that the use of my being in Parliament was to do work which others were not able or not willing to do, made me think it my duty to come to the front in defence of advanced Liberalism on occasions when the obloquy to be encountered was such as most of the advanced Liberals in the House, preferred not to incur’ (Mill 1981, p. 276).

Overall, Professor Kinzer’s thoughtful collection of essays is a timely reminder of the versatility, power and perspicacity of John Stuart Mill’s penmanship on a range of ‘advanced liberal’ topics that defined the Victorian era. Mill’s liberal reform agenda remains particularly vital in an age where the voice of the public intellectual has been eclipsed and the centre of public culture remains firmly moored to popular fashions and fetishes, arid journalism, mass marketing and puerile gimmicks, all masquerading as critical commentary on key public policy issues. It can only be hoped that the weightier, more cultivated prose as enunciated by the Saint of Rationalism (as William Gladstone affectionately dubbed Mill) never completely fades away. The fate of public culture depends on it.

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**Claude Gnos and Louis-Philippe Rochon (eds). *The Keynesian Multiplier*. London and New York: Routledge. 2008. Pp. xvii + 202. ISBN 978-0-415-32013-9 (hb). US\$130.**

**J. E. King\***

This is a rather strange book. Only one of the ten chapters is ‘pure’ history of economic thought. This is by Luca Fiorito, who draws on archival sources to establish John Maurice Clark’s contribution to the genesis of the multiplier concept (chapter 2). Two other contributions, by Heinrich Bortis, on the multiplier in the Keynesian tradition (chapter 3), and by Malcolm Sawyer on Michał Kalecki and the multiplier (chapter 8), also have a substantial history of economic thought content. Both are very good, as might be expected. Bortis, in particular, writes cogently on the respective versions of the multiplier found in Richard Kahn, Michał Kalecki, Nicholas Kaldor and Evsey Domar, with some additional very interesting material on the ‘super-multiplier’ and on the origins of the multiplier analysis in the work of the Physiocrats and Karl Marx. He might perhaps have cited Andrew Trigg’s recent book on this aspect of the problem (Trigg 2006).

The remaining seven chapters are more or less analytical in nature, and most of them fall within the ‘monetary circuit’ branch of Post Keynesian endogenous money theory. However, they come to very different conclusions concerning the validity of the multiplier analysis. Thus in chapter 1 Jochen Hartwig argues that neither the ‘logical’ (that is, static) nor the ‘dynamic view’ of the multiplier is defensible. Instead, the multiplier can only be interpreted ‘as an equilibrium proportion [between] two departments within a reproduction scheme’ (p. 26). Xavier Bradley (chapter 4) regards the whole idea of the multiplier as ‘based on the confusion, in the same operation, of the formation and the spending of incomes’ (p. 87). For Alain Parguez (chapter 5), the ‘multiplier theory ... is false. It contradicts the very nature of money’ (p. 116). Basil Moore (chapter 6) is equally sceptical, but for different reasons. He regards Keynes’ multiplier analysis as ‘mistaken’ (p. 121), since complex non-linear systems have no closed-form solution, as the multiplier relationship requires. In chapter 7 Jean-Luc Bailly concludes that ‘there is no dynamic multiplier of a value other than unity’ (p. 148).

I doubt whether either Bortis or Sawyer would agree with any of these criticisms. To add to the reader’s confusion, the two final chapters, which are written separately by the editors, reveal a much more favourable position on the coherence of the multiplier analysis. Thus Louis-Philippe Rochon (chapter 9) concludes that ‘the multiplier depends on the banking system ... [and] is not an automatic phenomenon. It can hold, provided initial injections into the circuit lead to increased private revenues sufficient to guarantee the renewal [of] debt commitment and the extension of bank credit to renew production’ (p. 177). This, of course, is more or less what Keynes himself concluded, when writing of the ‘factors which it is most important not to overlook’ in discussions of the multiplier. The first of these was the danger that:

The method of financing the policy and the increased working cash, required by the increased employment and the associated rise of prices, may have the effect of increasing the rate of interest and so reducing investment in other directions, unless

the monetary authority takes steps to the contrary ... (Keynes 1936, p. 119)

Finally, Claude Gnos suggests that 'endogenous money does not run counter to Keynes's original conception of the multiplier but only to the standard interpretation of it' (p. 191). Returning to Jochen Hartwig's distinction between the logical and dynamic notions of the multiplier, Gnos comes down on the side of the former:

The multiplier is, in fact, static or logical. It can, however, be combined with the dynamics of the economy resulting from behaviour patterns, through the principle of effective demand by which entrepreneurs decide on the scale of their production with regard to their expected proceeds from sales, which of course may be influenced by an increase in investment. (p. 191)

Precisely how this statement can be reconciled with the much more critical approach taken by no fewer than five of his contributors, Gnos does not say.

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<p><b>David A. Spencer. <i>The Political Economy of Work</i>. London and New York: Routledge. 2009. Pp. xix + 170. ISBN 978-0-415-45793-4 (hb). US\$130.</b></p>
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**J. E. King\***

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I wish I had written this book. David Spencer has produced a scholarly, lucidly written and totally convincing analysis of the treatment of work in the history of economic thought, from the early Mercantilists right down to the present day. It is a marvellous achievement.

Spencer's basic thesis is simple and, I think, entirely correct:

Work can be characterised as merely a means of earning a living. However, it can also be viewed as a potential source of personal achievement and self-fulfilment ... work can be something more than a mere means, so long as it is organised in a manner that accords with the interests of workers ... the human ideal is not a life of freedom from work. (p. 3)

In six short but incisive chapters Spencer traces the way in which work has been treated in the literature of economics, from the seventeenth- and early eighteenth-century proponents of low wages as a means of keeping the poor out of idleness to twenty-first-century studies of the economics of happiness. He deals successively

with concepts of work in pre-classical and classical political economy; the pro-work sentiments of late eighteenth- and nineteenth-century authors, including William Godwin, Thomas Carlyle, John Ruskin and William Morris; the Marxian view of work, with which he broadly sympathises; neoclassical and Austrian attitudes to work at the end of the nineteenth century; the contributions of the American institutionalists; and ‘the hidden abode of production’ in modern mainstream economics.

Apart from Marx, Spencer’s heroes include John Stuart Mill, John Ruskin, William Morris, John R. Commons and J. A. Hobson, as might be expected, but also William Stanley Jevons and Alfred Marshall. Jevons was prepared to see work as a potential source of both pain and pleasure, while Marshall echoed Mill (and Ruskin, and Marx) in regarding work as an essential part of life rather than as a mere means of obtaining consumer goods. Unlike Marx, of course, Marshall believed that capitalism could be reformed to reduce drudgery and greatly improve the quality of work for all. Spencer is also favourably impressed by the institutionalists, especially Commons and Hobson. His verdict on Thorstein Veblen is mixed. While praising Veblen’s critique of ‘pecuniary [that is, capitalist] culture’ as invariably hostile to the ‘instinct of workmanship’, Spencer criticises both his support of Taylorism and his tendency to underestimate the impact of capitalist machine production on the autonomy and skill of the worker. With the exception of Hobson, who was genuinely transatlantic, these institutionalists were all American. As Spencer notes, (p. 148 n.13), the history of non-neoclassical labour economics in Britain has yet to be written (his next book, possibly?).

Among the villains, the Austrians occupy pride of place. By insisting on expunging any notion of ‘real cost’ from their theory of value, Carl Menger and his followers were responsible for a fatal shift in mainstream theory, from the marginal disutility of labour (which could in principle be positive or negative) to the opportunity cost of work time, viewed only as leisure foregone (which could only be positive). In consequence, consumption rather than work moved to the centre of marginalist economic theory. These errors, Spencer argues, were carried over into the virulently neoclassical version of labour economics that burst out of Chicago in the late 1950s and all but eradicated the institutionalist approach to the economics of work. They also vitiated Oliver Williamson’s new institutional economics and the later personnel economics of Edward Lazear and his acolytes. Neither ‘shirking’, nor opportunism, nor principal-agent theory, nor efficiency wage models of the labour market escape Spencer’s critical attention. The book concludes with a scathing attack on the most recent literature on the economics of happiness, which he criticises for ignoring both the phenomenon of alienation and the notion that satisfying work might be a basic human need, whether or not it is experienced (and articulated) as such.

There is a great deal to think about on almost every page of this short book. My only real criticism is that it is, perhaps, too short. Two or three extra chapters might have been included, for example on the thinking of socialist exponents of ‘the right to be lazy’ (the title of a pamphlet by Marx’s son-in-law Paul Lafargue), which included writers as diverse as Bertrand Russell and André Gorz. He might have devoted a chapter to the treatment of work in the industrial sociology and industrial psychology literature, to contrast it with the impoverished analysis of the mainstream economists. There are brief references to Taylorism, as already noted, and also to Abraham Maslow, but a broader discussion taking in Frederick Herzberg and also Elton Mayo and the human relations tradition would



have been useful. Work is a social activity, and the creation of occupational communities is one of its most important consequences, often helping to cement the ideological power of employers and thereby to frustrate union efforts to improve the quality of work itself (see Richards 2008 for a recent case study). Finally, the rather truncated discussion of the Marxian 'labour process' literature could have been expanded; there is no mention of the seminal work of Andrew Friedman (1977), for example.

But these are minor points, which in no way detract from Spencer's achievement. This book will become a classic.

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<p><b>Roger Frantz (ed.). <i>Renaissance in Behavioral Economics: Essays in Honor of Harvey Leibenstein</i>. London &amp; New York: Routledge. 2007. ISBN 978-0-415-70080-1 (hb). Pp. 234. £65.</b></p>
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### John Lodewijks\*

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This is a collection of chapters of mixed quality written by authors trying to come to grips with Leibenstein's contributions to economics. He is generally regarded, along with Herbert Simon and George Katona, as among the first generation of behavioural economists. Yet it is also recognised that Leibenstein's ideas are largely absent from modern behavioural economics.

There seems to be some ambivalence about how his contributions are to be classified. For example, Peter Earl, while including him in his 1988 Behavioral Economics collection for Elgar, suggests that he may belong in a 'pseudo-behaviouralist group'. Pseudo-behaviouralists are 'scholars whose inclinations are really (or normally seem to be) those of the orthodox, marginalist neoclassical economist'. Frantz tells us that Leibenstein insisted he was a neoclassical economist, but one that did not believe that human behaviour was always maximising (p. 10). Jason Potts, however, tells us that Leibenstein's X-efficiency concept is 'logically meaningless in a strictly neoclassical framework' (p. 96).

I can personally identify with this confusion. As a student I was easily won over by the attractiveness of X-efficiency analysis and it seemed like an obvious recognition that human effort is at all times variable. It was an empirically grounded approach that seemed to make sense, particularly in the developing world. However, when I got to graduate school E. R. Weintraub was quick to let students know that Leibenstein was quite 'mad' and what he was saying was

logically incomprehensible. Craig Freedman has entertained us over the years with his treatment of Stigler, who staged a bitter attack on Leibenstein's work. Potts' take on this, and his articles are always interesting, is that Leibenstein 'was not so much a mad uncle in the Harvard faculty's attic ... but rather a brilliant evolutionary economist struggling to escape'. Moreover, X-efficiency 'only makes consistent analytical sense in an evolutionary and complex systems theory-based evolutionary framework' (p. 92).

What this volume illustrates is the various ways that Leibenstein made a lasting contribution to economics. We all know about X-efficiency. Roger Frantz, in the concluding chapter, notes that from the late 1960s through to 2002 approximately 80 journal articles were published trying to estimate the size of X-inefficiency and these studies consistently showed support for its existence across numerous industries and countries. The term itself was heavily cited in the Social Science Citation Index, reaching a peak in 1981–85 (pp. 212–13). What is less known are his contributions in other areas of economics. This covers his pioneering work on efficiency wages (later developed by Akerlof) discussed by Morris Altman, Leibenstein's link between entrepreneurship and economic development discussed by Hamid Hosseini, and his work on consumption discussed by Paul Albanese.

Leibenstein's treatment of status goods follows Duesenberry's work on interdependence of preferences and Veblen's earlier notions of emulation and conspicuous consumption. Peter Earl, in his chapter, applies the concept of X-efficiency to consumption decisions rather than to firm behaviour to explore why consumers make poor choices or have pathological tendencies to consume the wrong products. Readers of this journal can easily relate to this perspective but may have trouble when it broaches other disciplines. Paul Zak relates Leibenstein's work to developments in 'neuroeconomics' using neuroscience to understand how people make economic decisions. Gerald Cory also draws on findings in evolutionary neuroscience or brain psychology and concludes that Leibenstein 'was not only a key figure in the founding of behavioural economics, but his concepts were also prescient of findings in brain psychology or neural architecture' (p. 34). Readers may have difficulty penetrating the jargon in this literature, for example, from p. 54:

We can redefine rationality, not as a maximization or not of self-interest, but as a cognitively-mediated and appropriate dynamic balancing of our self-preserving and affectional circuitries—the integrated expression of our social exchange neural architecture as situationally and circumstantially appropriate.

This volume has its failings. The editor's introduction repeats much of the concluding chapter. Some chapters are overly long while others do not seem to add much to our understanding of this person. However, there is enough evidence here to be somewhat sympathetic to Altman's claim that 'Leibenstein contributed to and set the foundations for some of the most innovative advancements of twentieth century economics' (p. 141).

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**Geoffrey Poitras (ed.). *Pioneers of Financial Economics. Volume 2: Twentieth-Century Contributions.* Cheltenham: Edward Elgar. 2007. Pp. 256. ISBN 978 1 8542 3827 (hb). £75.**

**Jan Toporowski\***

Contemporary financial economics, like alchemy, is a calculating pre-science. It aspires to scientific status, but fails to achieve it because financial economics is driven by a search for its own philosopher's stone, and its theorists are distracted by the pursuit of red herrings. The philosopher's stone of finance is a method to forecast stock prices or, what amounts to the same thing, a way of speculating risklessly. This volume is concerned with the twentieth-century 'discoveries' of Harry Markowitz, Robert Merton, Merton Miller, Fischer Black, Myron Scholes and other legends of academic finance who converted 'a collection of anecdotes, rules of thumb, and manipulations of accounting data' into 'a rigorous economic theory subjected to scientific empirical examination' (Merton 1992, pp. xii-xiv, cited more than once in the volume under review). By a process of restricting the arguments until a determinate algorithm for forecasting stock prices, or determining risk, emerges, modern quantitative finance offers the philosopher's stone, but substitutes for it 'optimal', 'risk-adjusted' portfolios that are only optimal or risk-adjusted in such a limited sense as to be impractical. Since only a saint or a subversive would ever settle for anything less than an optimal or risk-adjusted portfolio of wealth, the prospectus for quantitative finance inevitably wins out over more modest and more practical approaches. Our heroes secured valuable Wall Street consultancies. But they were employed largely for marketing purposes and were rarely allowed to influence actual investment practice and strategy.

Moreover, contrary to Merton's self-serving assertion, not all of the alternative approaches to finance are mere anecdotes, rules of thumb, or manipulations of accounting data. As Paul Davidson argues persuasively in the paper that concludes this volume, the work of John Maynard Keynes, and we may add his followers such as Hyman Minsky, was much more systematic and does not require such unreal assumptions about banking and financial markets. However, from the point of view of the 'finance discipline', Keynesian, Minskyan, and other such theories are handicapped in the market for academic and professional ideas by their positive realism rather than the norms that they offer for successful speculation. (I would like to think that this is the reason why Paul Davidson and I are not on Wall Street payrolls.) Despite Merton's puff about 'scientific empirical examination', modern finance is normative in purpose and assumption, and has been interpreted as such by fund managers in its main markets in the US and UK.

Markowitz' portfolio theory was the first major red herring, postulating a universal calculus to obtain optimally diversified portfolios with spreads of returns depending upon the extent to which investors were willing to hold risky assets. It was but a small step to impose a determinate frequency distribution for future returns and divide those returns into a market average and a stock-specific return. Thus was born the Capital Asset Pricing Model that is the staple of the modern finance textbook.

But the red herring that drew most academic hounds and spawned the most important subsequent red herrings was the Modigliani–Miller 'theorem'. Most

readers of finance textbooks know this as ‘proving’ that the value of a company is independent of its financing. In fact, the theory shows that in a state of perfect competition and knowledge of future returns, financing does not affect the value of a company. Merton Miller’s especial contribution to the theorem was not only the observation that there was a wide dispersion of financing among American companies, but also a very convenient definition of equilibrium in which no further arbitrage was possible. The theorem was most widely interpreted as demonstrating that any non-random distribution of financing among companies must be due to departures from the initial restrictive assumptions about perfect competition, knowledge and so on. This set finance and economics off on a hunt for ‘market imperfections’ that may account for non-random financing.

An immediate consequence of this line of reasoning was that corporate finance, or the study of how companies actually finance their activities, and the effects of that financing on their activities, disappeared from the discussion. Furthermore, with the assumption of ‘no arbitrage’, the investigation of actual financial market processes was reduced to connecting prices to ‘information’. All that was now necessary to understand markets was time series analysis of price data. Far from extending the boundaries of our knowledge, finance was now excluding key aspects of financial activity from the scope of its analysis.

The search for ‘market imperfections’ led to other theoretical innovations that further narrowed the ‘scientific’ and policy discourse of finance. Predictably Chicago identified taxation and market regulation as the culprits in financial market inefficiency. In response, Joseph Stiglitz at MIT offered information asymmetries as causing financial market imperfections. At Yale, Robert Shiller offered behavioural finance (not mentioned in this volume), and the failure of investors to calculate optimally, as explanations of market inefficiency. By the end of the twentieth century, the key expenditure decisions of firms that determine the dynamics of market economies, and the crucial influence of financing conditions upon those decisions, had been dropped off the agenda of academic finance. Their residual trace on that agenda was Tobin’s ‘q’ theory, relating the cost of investment to the cost of capital. But this was hardly seminal and, in its general equilibrium form, is relatively trivial.

The first part of this book discusses some of the theories pre-dating the quantitative revolution. Here Morgen Witzel examines the financial management ideas of Jeremiah Jenks, Edward Meade and William Ripley; Geoffrey Poitras introduces us to the ideas of Frederick Macaulay and Frank Redington; and Gabriel Hawawini and Ashok Vora discuss how the calculation of yields evolved from the seventeenth century onwards. In this part too, Robert Dimand contributes an excellent survey of Irving Fisher’s contributions to finance theory, curiously omitting Fisher’s debt deflation theory. However, for reasons not made clear, Keynes’ analysis is absent from this part of the volume. Keynes is discussed separately at the end of the volume in Davidson’s contribution. This is possibly more logical, because Davidson engages so extensively and enthusiastically in polemics against the general equilibrium foundations of quantitative finance theory. Keynes’ appearance as an afterthought like this may also be connected with the concentration in this volume, in contrast to volume 1, on developments in American finance theory.

Among the papers published here, ‘The history of quantitative risk measurement’ by Elton McGoun invites special mention because of its scholarly explanation of how, in the course of the quantitative revolution, uncertainty became conflated with calculable risk, and that calculable risk was then restricted to

tractable frequency distributions into which historical price data could be more easily fitted. The ‘results’ of analysis came to dominate realism: ‘... anything that is “extremely difficult” is “avoided” as “hardly affecting the results”’ (p. 207). McGoun provides a clear account of how, under such a regime of ‘theoretical rigour’, redefining terms allowed financial economists to persuade themselves that they were calculating the incalculable.

In the final analysis it is not possible to see where finance went wrong, or how it was reduced to providing sedative comfort for practitioners facing the usual unprecedented uncertainty in the financial markets (see Toporowski 2002), without an overview of the history of the discipline, such as this volume and its companion, provide. In any discipline, individual papers and works invite criticism of their assumptions and/or their theoretical or methodological consistency. Only a survey of their history can give a clear indication of where an applied discipline such as finance has taken a wrong direction, or disengaged from the issues of our time, and the consequences of that disengagement. This is the main achievement of this volume and its editor Geoffrey Poitras (with assistance from Franck Jovanovic).

My only overall reservation about this book is that it tends to accept the Merton line that the emergence of quantitative finance has been a purely academic process of ‘discovery’. This is very apparent in the middle part of this volume entitled ‘The Modern Finance Revolution: The Inside Perspective’, and in the final part entitled ‘Alternative Perspectives on the Revolution’. In the first of these sections Hal Varian, Rene Stultz, Robert Jarrow, Robert Merton and Myron Scholes pay glowing tributes to the intellectual profundity and originality of Markowitz, Miller, Merton, Sharpe, Black and Scholes. In the third and final part, Franck Jovanovic, Donald MacKenzie, Elton McGoun, and Paul Davidson question the assumptions that underlie quantitative finance. This presents finance as an academic hermeneutic, finding and criticising scholarly antecedents, and thrilling at or belittling originality. But behind these discussions was the depression into which the stock of investment bankers had fallen in the 1930s (see Sweezy 1941), and the recovery in that stock with the process of inflation in the US financial markets from the 1970s onwards, to the point where it is now impossible to read John Kenneth Galbraith’s classic, *The Great Crash*, sensibly without choking on *déjà vu* at the chapter entitled ‘In Goldman Sachs We Trust’.

The emergence of quantitative finance was associated with the rise to financial market pre-eminence of fund managers deploying huge investments in increasingly unstable securities markets. The previous system of stabilising portfolios by holding government securities was losing its effectiveness, with the repayment of War debts, large capital issues by corporations, and a corresponding need to rebalance portfolios in favour of private sector liabilities. The theoretical innovations of Markowitz *et al.* offered a rationale for convincing fund managers that their portfolios were just as safe even as they were getting more risky. This background, mentioned only in passing in the editor’s introduction, would naturally suggest a consideration of the macroeconomic consequences of finance, and the apparent inability of financial economists to see beyond their price data analyses. However, since this volume was published when the current liquidity drain in the markets was a mere gurgle in the upper intestine of Wall Street, it is, perhaps, easier to overlook the absence of this consideration. Nevertheless it is the outcome of that financial inflation, and the abject failure of economists to provide a systematic account of it, that make this book so timely. Until economists and

policymakers emancipate themselves from mainstream finance theory, we cannot improve our failing financial system nor even start to create a scientific discipline of finance.

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