A Biographical Dictionary of Dissenting Economists, Second Edition

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Bertram SCHEFOLD (born 1943)

My father, the archaeologist Karl Schefold, and my mother, Marianne Schefold, née von den Steinen, emigrated from Germany to Switzerland in the early 1930s. I was born on 28 December 1943 in Basel where I received a classical education at the Humanistisches Gymnasium which stimulated my private interests in literature, history and history of art. I took up my studies in mathematics in 1962 at the University of Munich, where a liberal curriculum allowed me to follow courses in other faculties (I spent one semester in Hamburg studying natural philosophy with Carl Friedrich von Weizsäcker). I graduated from Basel in 1967 in mathematics, theoretical physics and philosophy. At that time, I expected to become a philosopher, using mathematics to make a living, and for a while I felt drawn towards an academic career in mathematics. However, upon passing my examination, I found myself elected president of the Swiss National Union of Students. Such experiences as organizing the first national congress on university education and the challenge of the student movement changed my outlook: I took up the study of economics.

Having benefited particularly from Professor Bombach's courses on the theories of economic growth and distribution and from Professor Kapp's early introduction to environmental economics in Basel, I spent the years 1969 and 1970 in Cambridge, as a visitor to the Faculty of Economics and, afterwards, as an Advanced Student of King's College. However, I wrote my thesis Mr Sraffa on Joint Production for my home university (see 1971). I thus got no formal supervision in Cambridge, but I participated in the debates which then raged about Marx and Keynes. In my discussions with Joan Robinson, Kaldor, Sraffa and younger members of the faculty, I learned to respect the Cambridge style of arguing in which the recourse to formulae and invocation of authorities were regarded as improper.

After my Ph.D. examination in May 1971, I was nominated lecturer in mathematical economics in Basel and made an assistant to Edgar Salin, with the task of helping him to organize his last international conference, held at the time of the breakdown of the Breton Woods system; I also edited the proceedings, Floating - Realignment - Integration (1972). In 1972-73 I returned to Cambridge and acted as a supervisor for Trinity College. After spending 1973-74 at Harvard University as a research associate, having contact also with MIT, I was called to take a chair at the University of Frankfurt in 1974. At first I was mainly expected to raise the intellectual level of students in Marxist economics, but when offers came to move elsewhere, I was entrusted with the task of teaching general economic theory. Apart from a number of visiting appointments abroad, I have since remained in Frankfurt for various reasons, one being that the city and the university have an interesting past and a lively present; I even published a history of our Faculty.

When I came to Cambridge in 1969, there was a feeling of triumph because of the victory in the 'reswitching debate'. However, opinions about the usefulness of the classical theory of prices for a positive reconstruction of a non-neoclassical theory (beyond the framework of short-term Keynesian analysis) were divided. I decided to discuss the extension of Sraffa's theory of prices to joint production. I first proceeded by summarizing the results for single-product systems and tried to establish which of them held for joint-production systems as well. The generalization of some concepts allowed interesting differentiations, giving rise, for instance, to different notions of the basic system. In place of the maximum rate of profit, conditions were derived for the range in which prices remain positive. On the whole, Sraffa's assertions, based by him on stringent economic logic, could be confirmed through a mathematical reformulation (an important exception concerned the standard commodity). The treatment of fixed capital in terms of joint production proved most rewarding. The generality of the framework allowed an interesting reinterpretation of familiar concepts such as amortization and depreciation. Competition leads to the same outcome, whether prices of final goods are determined on the basis of 'correct' depreciation or whether there is, in addition, a market in which old machines are traded and their prices
determined explicitly. In this theory, the equality between the cost of production of a machine and the value of its expected returns is not a long-period equilibrium condition to be posited as an assumption, as in Hicks and others, but a result of the uniformity of the rate of profit. It turned out that even land could be regarded as a special case of joint production. Sraffa's perspective thus shed a new light on the issue of specialization in the use of scarce resources which is also relevant for the theory of international trade. These were the main themes of my thesis, referred to above, and of some subsequent articles.

The classical theory aims at an explanation of growth and development in a process of accumulation in which technical progress, distributional shifts and institutional changes time and again threaten to upset the relative positions of investing entrepreneurs, workers and other groups. Full employment results only if the rate of growth of output, reduced by that of productivity, is large enough relative to the growth of the labour force. In an important application, the classical theory of prices allows a translation of the effects of different forms of technical progress and of the availability of natural resources at the microeconomic level into macroeconomic terms. Leontief's input-output analysis (which is classical in spirit) is often used to such purpose. A related theme of nineteenth-century economics can now be discussed in a Sraffian framework. Using the fixed capital model, it can be shown that mechanization as defined by Marx leads to a reduction of the maximum rate of profit since it consists in replacing manual production by machines without saving raw materials. It may thus tend to worsen the distributional conflict about the share of wages in much the same way as an extension of agricultural production without an increase of productivity or of the availability of productive land leads to a fall of the rate of profit, given the rate of real wages in Ricardo's corn model (see 1976).

However, the capital-output ratio moves less than our theories lead us to expect. A related puzzle is this: the comparison of different economic systems in terms of wage curves allows us to compare capital intensities for the theory of growth or to identify reswitching phenomena for the critique of capital theory. But if only two alternative methods for production in each of 1000 sectors of an economy are known, the number of wage curves to be compared is so vast (2^{1000}) that any minute change of the rate of profit ought to trigger off an avalanche of switches which might raise or lower total output per head. Although there is less technological optimism today than three decades ago, this is not a result which one would expect, considering the steady accretion of innovations which appear to be of neutral effect on average (see 1979).

The most obvious theoretical problem in relation to joint production is this: whereas relative prices in a single product system are determined inde-

pendently of demand (if there are constant returns and distribution is given), the composition of output matters in the case of joint production. I have analysed this problem in terms of models with balanced growth in a number of papers, with consumption needs taken as given, but one may also start from a prior determination of gross output (including investment). Square joint production systems then result from the choice of technique, in that at least as many processes are necessary to produce the commodities demanded (some of these may be domestic processes of production). There cannot be more processes than there are commodities with positive prices (that is, goods that are not overproduced) for there would otherwise be an overdetermination of prices incompatible with a uniform rate of profit. This principle of 'counting the equations' is reinforced if we think of a long-period equilibrium as one in which quantities and market prices fluctuate around normal values (these fluctuations are something different from the deviation of macroeconomic variables from a trend in business cycles). Demand for commodities may thus be subject to small changes in any direction, and this means that fewer than n processes to produce n commodities will not - even by accident - be sufficient to fulfill the demand conditions. Hence, joint production systems are square which implies that, given distribution, prices of joint products are determined in a classical framework - a problem never solved by the classical authors.

There are three difficulties with this result. The first is that, if the necessity of allowing for the small perturbations is not taken into account, fewer than n processes may suffice to produce n commodities in desired quantities just by a fluke. Another rather formal exception concerns so-called limiting means of production. The second, more interesting, difficulty is connected with different theories of demand. The system need not be square if other assumptions about demand are made, for instance because neoclassical preferences are introduced. Thirdly, it may be objected that square systems are not likely to be encountered in reality because non-square solutions have an important meaning as expressions of processes of transition. For instance, new domestic or industrial uses may be found for a good which until then had been a waste product (and therefore not a commodity to be counted). It will now not be disposed of at a zero price, but sold at a low market price; this market price will be an incentive to produce the commodity by other means, thereby introducing the new process. In the end, a system which had been square will thus be square again, but in the transition there is one commodity more than there are processes. An overdetermination of prices through the presence of too many processes, on the other hand, is familiar: it simply follows from the working of competition by which the least-cost-combination of methods is found. New methods may enjoy a cost-advantage, hence a more-than-normal rate of profit, for
some time. I pursued these themes mainly in 1988 and in my contributions to 1989a.

To date the 'intertemporal theory' of general equilibrium seems to have been touched upon only marginally in the critique of neoclassical capital theory. The intertemporal theory, although referring to a long or even infinite horizon, does not describe a long-period equilibrium since there are different own rates of interest in terms of different commodities. They reflect the fact that initial endowments may be given in arbitrary proportions so that some are more scarce relative to demand (see 1985a). This kind of discrepancy can be shown to disappear if the time horizon is sufficiently far away. In this sense, the intertemporal equilibrium represents one particular form of a transition to a stationary state as the time horizon is pushed farther away. It is not surprising that the same effects which preclude the existence of a surrogate production function and, more generally, the existence of a demand function for aggregate capital, also preclude the convergence of an intertemporal equilibrium to a stationary state. Such a property - if it exists - also has been regarded as an extension of the turnpike theorem familiar from von Neumann models. This discovery ought to lead to a revival of interest in long-period equilibria by neoclassical economists themselves.

From the late 1970s onwards, I have been involved in research projects in the area of environmental economics. One was concerned with alpine regions in Switzerland; three with the future of the energy system in Germany. The best known of these, which I directed jointly with the physicist and philosopher K.M. Meyer-Ach in the University of Essen, was concerned with 'The Social Compatibility of Different Energy Systems in the Development of Industrial Societies' and employed about a dozen researchers from different disciplines in collaboration with a commission of the West German parliament. The task involved the implementation of energy scenarios in a large computer-based econometric model (run by the Institute for Economic Research of the Swiss Federal Polytechnic in Zürich) in order to investigate the economic consequences of choosing a particular energy path for the economy as a whole. Values for controversial data such as the future cost of reprocessing spent nuclear fuel were chosen in an exchange with the Kernforschungsanstalt Jülich, one of the two large nuclear research facilities in Germany. The final report, written by Meyer-Ach and myself, became a bestselling book, not least because it was published a few weeks before the accident of Chernobyl and was for some months very much discussed in the media (1986).

How shall we live in future decades? This question which motivated our research is political and its solution cannot be left entirely to autonomous forces. Technical progress has always to a large extent been directed by political decisions and by cultural forces which do not operate through the market alone. The popular attention paid to the energy debate does not arise simply from worries concerning the energy system taken in isolation. Rather, the energy system is correctly perceived as important in how it relates to economic, social and environmental developments. In fact, it also affects national and international relations and, through the consequent safeguards to maintain security, the national and international legal systems.

Clearly one cannot expect to obtain a vision of future developments by looking at individual technologies. Rather, it is necessary to see them as connected through international research priorities, technical linkages and institutional relations in the political sphere. The practice of isolating a small number of characteristic scenarios to compare their potential impact on society is thus theoretically justified. Interestingly, this methodological perspective has parallels in classical economic analysis as well as in the approach of the historical school, though it is less easy to integrate into neoclassical theory. For, whereas the latter is correct in postulating that external effects should be internalized whenever feasible, the idea of comparing different development paths with their associated social and cultural settings is alien to a theory which is accustomed to take preferences as given.

In this perspective, the research team published a series of books and articles, discussed beforehand at working conferences in order to assess the potential consequences of various scenarios on the legal system, the economy and society. We asked, conversely, which developments, in any of these areas might be favourable to the implementation of a given scenario, and we listed and explored political instruments. Historical parallels were also examined. This methodological approach to social choice, more than the details of our recommendations, may retain some interest.

Most environmental research projects require interdisciplinary collaboration and a readiness to transcend one's theoretical preconceptions. Thus, in contributions to books aimed at finding solutions for the double threat of pollution and unemployment, neoclassical concepts almost inevitably had to be used. I have so far, in English, made only one attempt explicitly to link applied work with my theoretical concepts (see 1985b).

Opposition to neoclassical models is often based on the allegation that neoclassicals fail to take social, historical and institutional factors into account. Certainly the classical model describes a highly idealized form of capitalism only. Interest in other historical periods has led me to reconsider the work of members of the historical school where one still finds challenging suggestions (beyond what has been preserved in Max Weber and apart from the particular historical scheme of economic evolution proposed by Marx). I have mainly studied Schmoller and Bücher and, to counterpoise, Schumpeter, but I have also tried, in a paper on 'Supply and Demand in Classical Theory', to describe the historical element in the classical theory of
consumer as found mainly in Adam Smith. Here concepts such as necessary consumption, luxury consumption and so on refer to what is necessary or luxurious in specific social circumstances. Adam Smith's *Theory of Moral Sentiments* interprets the display of riches in order to please others as a cultural process and integrates it with a theory of luxury consumption and the diffusion of needs (see 1981).

One may seek precursors of modern ideas when working on the history of economic thought, but the 'Dogmenhistorischer Ausschuss' (section of the 'Verein für Socialpolitik') in which I have been active (also as President) has always been open to considerations of what was really characteristic of past authors. The Greek philosophers, for example, were not interested in economics as a causal science and made virtually no contribution to it. Like Plato in his 'Laws', their concern was to find those institutions in which the market might function without transforming or dissolving desirable social relationships; also to define, as in Aristotle, those concepts of justice and reciprocity which would allow the order of the polity to be maintained as the basis for striving for higher understanding. This presupposed a modest but comfortable supply of goods. The Greek philosophers were thus not opposed to the use of the market, but they thought that ethical rules and political institutions were necessary to keep economic activity subordinated to higher goals. In analysing their position, they indirectly provided the first concepts for economics as a causal science.

At the time of writing of this entry, the idea to run economies by means of centralized planning seems almost globally discredited, but that does not mean that we are likely to return to a pure market system. In connection with a local emphasis on questions of comparative economic systems, I have repeatedly taught a course on 'Economic Systems in Historical Perspective', with a strong emphasis on the economies of pre-industrial societies but leading up to the social market economy. The unifying theme of my researches has thus been to try to understand the changing forms of interaction between the forces of the market, of centralized control and of social traditions which largely defy analysis in terms of neoclassical concepts of rationality.

Since the above was written, I have returned to the problem of the critique of capital theory and its extension to intertemporal equilibrium by developing a general method to construct intertemporal equilibria which exhibit problems of Wickel effects and re-switching in various forms. It turns out that such equilibria exist but factor prices and quantities move in the same, not in opposite directions so that the stability of such equilibria is highly questionable. Related problems which can be analyzed by means of this method concern the stability of employment and the analysis of the relationship between saving and investment in intertemporal equilibrium (1997). My interest in a modernization of the heritage of the historical school has grown; I do not think that modern institutionalism has taken up the lessons from the past (1994, 1995). A changing relationship between economic development and general culture is visible not only in history but also in the present. Apart from globalization, one may mention European integration in this regard. I have been the responsible organizer of two international summer schools, sponsored by the European Union, on 'Economic interests and cultural determinants in European integration'.

Much of my time has been absorbed as the managing editor of the series 'Klassiker der Nationalökonomie'. This is a series of bibliophile facsimiles of great classical works in economics. The facsimile is always based on the first edition of the work concerned, whenever that is available (luxury manuscripts or important later editions have been taken in the case of classics of antiquity or the Middle Ages where a first edition did not exist). Each facsimile is accompanied by a companion volume of commentaries. So far, I have written an introduction to each commentary volume of all the editions which I have looked after myself, since this work began in 1990; I have thus written forty such introductions, ranging from Aristotle to Samuelson. Three main ideas have guided my interpretations: I have tried to trace back the contrast between classical and neoclassical conceptions to their earliest precursors, I have endeavoured to emphasize those economic ideas which appeared important to the author and his public in the period concerned, and I have situated them in their cultural context, in order to overcome the limitations imposed by the conception of the history of economic thought as a sequence of discoveries leading up to the modern mainstream. It has been a wonderful experience to concentrate time and again on the work of a great author who had often been neglected, and I have come to like in particular the culture of the authors of the later Middle Ages and early Mercantilism, like Oresme, Azpilcueta, Serra, or even of a classic of business administration like Savary. But it also was fascinating to apply the tools of capital theory to great analytical authors who have not yet often been seen in this light like Irving Fisher. Famous modern economists have contributed to the commentaries in the series, for example, Samuelson, Tobin, Malinvaud, and I was surprised to see how well they were versed in the history of economic thought. Curricula may not reflect it, but the interest of students in a historical approach to economics is increasing, hence the foundation of the European society for the History of Economic Thought, of which I now am President. Economic theory cannot be ordered and interpreted except in a historical perspective.

Schefold's Major Writings
other Latin American economists who were evolving the 'structuralist' and 'dependency' approaches. These experiences prompted one of Seers's most important articles, 'The Limitations of the Special Case' (1963), in which he analysed the dangers of naively transferring analytical models from the 'special case' of developed countries to the rest of the world. This article attracted more international attention than anything Seers had written until then.

This article (perhaps more accurately, this perspective) laid the basis for much country-specific work during the succeeding years, indeed throughout the rest of Seers's career until his final assignment in Fiji just before he died. Seers undertook further consultancy missions to Zambia (1964), Colombia (1970), Sri Lanka (1971), Nigeria (1979) and Uganda (1978); produced a major study on post-revolutionary Cuba (1962) and led or joined in many other country analyses. In the preface to his 1983 book, Seers lists some 35 countries where he had been involved in advisory work or research. These were mainly developing countries but included Canada, Ireland, New Zealand, Portugal, Japan and Spain of the so-called developed countries, as well as Czechoslovakia and Poland. The list explains his special interest in small, dependent economies; as he underlines, with characteristic self-awareness totally consistent with his structuralist position, the list reveals where he did not work:

If I had undertaken research mainly in, say China, India, the United States and the Soviet Union, my approach would, without doubt, be very different. I would, for example, be less aware of the special problems of small countries (especially vis-à-vis the great powers) and more conscious of the importance of regional differences within countries — and of the economic, political and social costs of central bureaucracies. (1983, p. x)

Seers added that the world was inconveniently large to cover all countries in one lifetime!

One of the self-imposed costs of structuralism and country-specific analysis is that they limit the field over which generalizations can be made. Seers, however, did develop more systematic models for certain classes of economy, which over the years became increasingly multi-disciplinary (see his papers published in 1959, 1962 and 1969 which was reworked to become 1981a). He also increasingly focused on a number of structural problems characteristic of different types of economies. From this emerged (1981b, 1982a) and the series of volumes on Underdeveloped Europe (1979) in which he analysed core-periphery relationships in Europe, using the dependency frame of analysis developed earlier for studying the relationships of developing with industrial countries.

The ILO employment missions of the 1970s provided Seers with the opportunity to apply structural analysis to internal problems and policy issues

Richard Jolly
Dudley SEERS (1920–1983)

For three decades, Dudley Seers was one of the world’s leading economists in the field of development studies. He wrote on a remarkably wide range of topics in development, working in some 35 countries and visiting many more. He was born in England and educated at Rugby School and Cambridge University. Initially undertaking statistical research in Oxford on income distribution in Britain, Seers rapidly developed viewpoints and approaches well outside the mainstream of neoclassical economics. It is oversimplistic to describe him as a dissident of development studies. Rather, he was something of a prophet: mainstream thinking on development often moved towards positions he had first put forward. It would be true to describe his influence as helping to make development studies a dissenting wing of current economic orthodoxy. In his final book, The Political Economy of Nationalism, he provides a synthesis of his own contributions.

Seers espoused, taught, defended and worked largely within a structuralist paradigm. He focused on key structural relationships in the countries or situations under review (for example, the pattern of exports, the linkages between imports and production, the structure of ownership and of international and national political influence), relating these key relationships to the type of economy being analysed, the nature of its links with the international economy, and the phase or time-period in relation to broader world developments. This led Seers to a multi-disciplinary style of analysis that was, in many respects, situation-specific rather than universal. Seers's best and most quoted work focused on the study of individual national economies and their links with the 'world economy', rather than on isolated sectoral problems within them.

The foundations of Seers's way of viewing development problems grew out of his work in ECLA (Economic Commission for Latin America) from 1957–61, working under Raoul Prebisch and alongside Osvaldo Sunkel and