【Book Review】

Harry Bloch, *Schumpeter's Price Theory*

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This book reexamines Schumpeter's price theory utilizing *Theory of Economic Development* (*TED*), *Business Cycles* (*BC*), and *Treatise on Money*. In Chapter 1, the author states that his objective is to examine Schumpeter's theory of price from the perspective of other theories.

In Chapter 2, Prof. Bloch calls Schumpeter's price theory a holistic theory of economic development and presents an analysis of Schumpeter's circular flow which is the starting point of Schumpeter's economic development theory. In Chapter 3, the author explains Schumpeter's three types of business cycles. According to the author, Schumpeter describes the 'first model approximation' or 'pure model' as being constructed from a two-phase cycle of prosperity and recession. Next, Schumpeter outlines the 'second approximation,' which comprises a four-phase cycle. The 'third approximation' deals with overlapping shorter cycles. Schumpeter adopts three business cycles: Kitchin, Juglar, and Kondratieff cycles and illustrates a schema in which the Kondratieff cycles contain the Kitchin and Juglar cycles.

In Chapter 4, the author reviews Schumpeter's 'price level' and 'price system.' According to the author, Schumpeter's theory is a monetary theory and is not derived from a microeconomic theory of the price of individual commodities. Considering the business cycles, the price level is lower at the end of the cycle than at the beginning. Innovation also leads to changes in the price system as relative prices are affected by innovation. However, according to Prof. Bloch, Schumpeter refrains from detailed explanation about price systems. The author finally attempts to formulate Schumpeter's work in terms of a Sraffian framework of reproduction price.

Chapter 5 discusses money, credit, and price level. Schumpeter adopts quantity theory (the equation of exchange) in his own monetary theory. When banks finance entrepreneurs, means of production must be shared with existing producers and competition occurs. This competition drives up the prices of means of production. Prof. Bloch points out that Schumpeter does not clarify how the price increase in means of production reflects in the price of finished goods. Furthermore, Prof. Bloch argues that economic development does not need the equation of exchange and that Sraffa's model of reproduction provides a new conceptualization of Schumpeter's theory of economic development. The author presents a new 'Equation,' in which the vector of prices of finished goods depends on technology, competition, and wage rate. The first two factors belong to a category of microeconomics related to

Schumpeter's price system. The last factor has an economy-wide impact and has a relationship with the price level.

In Chapters 6 and 7, the author provides three norms in Schumpeter's analysis: theoretical, statistical, and common-sense norms, but he rejects these norms as applicable to developing economies. From the outset, he does not acknowledge Schumpeter's theory, which is divided into static and dynamic conditions. In the final chapter, Prof. Bloch defines three new norms as substitutes for the aforementioned norms. The first is the concept of industry maturity. The second is a mature economy with stable industry structure and low variation. The third is premia associated with the threat of obsolescence, imperfect competition, and a contribution toward financing continued expansion of production capacity.

The author states that Schumpeter analyzes macro-economic movements such as the price level, aggregate output, employment, and amount of money in circulation, but there is no systematic theory covering the micro and meso aspects of economic development. He also attempts to reconstruct Schumpeter's price theory with the micro–meso–macro approach of modern evolutionary theorizing.

The author suggests that two different concepts, price level at the macro level and price system at the micro level, are mixed in Schumpeter's price theory. On studying the history of economics and economic thought, it is very important to compare existing theory to modern frameworks and to reconsider their limits and perspectives. Given this, there is no doubt that the author's theorizing contributes to the research on Schumpeter's achievements. Moreover, he reconstructs Schumpeter's comprehensive works referring to previous articles about his work.

However, I wonder why Prof. Bloch uses Sraffa's theory and modern evolutionary economic theory to reconsider Schumpeter's vague theory. From the viewpoint of researchers, this book is not a commentary on his theory but an application of modern evolutionary economic theory invoking Schumpeter's work. I would like to find a review of this book from Sraffian and Post-Keynesian perspective. The author not only denies the distinction between a developing and a stationary economy but also criticizes the treatment of time-series data in *BC*. These may be crucial points to undermine Schumpeter's system as a whole. It seems that the author does not need to use Schumpeter to explain modern evolutionary economies. Schumpeter may have realized that his own theory of the dichotomy is wrong. In *TED* and *BC*, Schumpeter makes much of entrepreneurs who achieve innovation independently from existing firms. In *Capitalism, Socialism, and Democracy* (1942), he recognizes the importance of innovations in the industrial research laboratory. Despite this, he never revised his theory and insists on the dichotomy. I would like to know the reason for this.

(Sachiko Motoyoshi: Tohoku Gakuin University)