Esteban Pérez Caldentey, *Roy Harrod*. Palgrave Macmillan, 2019, xix + 455 pp. 87€ (HB) 73€ (ebook).

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Harrod (1900–1978), alongside Domar, is very well known among both students and teachers of economics for his contribution to growth theory. However, his work is often only taught so that it can be superseded by Solow's growth theory; in other words, by design, his work is presented as some sort of a failure. *Roy Harrod* by Esteban Pérez Caldentey (2019) provides a splendid overview of Harrod's work and in the process repudiates this dominant (marginalist) view. Much of this setting-the-record-straight has already been done by Daniele Besomi in several articles and books. Caldentey's book is part of the Palgrave Macmillan series 'Great Thinkers in Economics' which aims 'to illuminate the economics of some of the great historical and contemporary economists by exploring the interaction between their lives and work, and the events surrounding them'. Arthur Lewis, Alfred Marshall, Joan Robinson, G. L. S. Shackle and Piero Sraffa are some of the other economists already covered in this series. My review is restricted to providing a critical summary of some key aspects of Harrod's economics covered in Caldentey's book.

Statics and Dynamics

Harrod was dissatisfied with both marginalist and Keynesian theories for not paying sufficient attention to the question of dynamics (as the classical economists had done). For Harrod, statics referred to economic studies which took net capital accumulation as zero or the quantity system as given; according to this definition, the theory of value is an exercise in statics whereas the theory of growth is an exercise in dynamics. The study of dynamics focused on the determinants of the rate of change of aggregate output and the such. Moreover, with respect to statics and dynamics, Harrod believed that the 'analysis of the former should precede that of the latter' (p. 17).

The theory of output or activity levels also belong to statics, as per Harrod's classification. Harrod points out that the acceleration principle is missing in Keynes and therefore characterises it as 'essentially static' (p. 251; also p. 50). Indeed, Keynes's aim was to provide a theory of output and not a theory of growth. In his 1925 article 'The Trade Cycle and the Theory of Distribution', Harrod asks: 'what in any case are the circumstances which cause the volume of trade to be what it is, neither more or less? It is absurd to express surprise at the oscillation of an object, while ignorant of what the forces are which determine its movement or stability?' (p. 82). In other words, the theory of activity levels ought to precede the theory of growth. As Caldentey puts it, 'Harrod started from the methodological premise that statics and dynamics formed part of a single and indivisible theory and that the analysis of the determinants of the level of activity precedes and forms the foundations for the study of dynamics' (p. 413; also see p. 126).

For Harrod, the question of (in)stability can be addressed only by a study of dynamics. Drawing inspiration from classical mechanics, Harrod 'believed that economics could and should be separated into two branches, statics and dynamics' (p. 216).

The Instability Question

Initially, Harrod identified imperfect competition as the source of instability (p. 20). This is because 'Harrod thought that imperfect competition, rather than perfect competition, accurately characterised entrepreneurial behavior in a capitalist economy' (p. 96). His interest in imperfect competition was motivated by J. H. Clapham's 1922 classic article 'Of Empty Economic Boxes' and 'was driven by empirical rather than theoretical concerns' (p. 100). Eventually, Harrod traced the source of instability to the 'interaction of the multiplier and the accelerator'—as articulated in his 1936 book *The Trade Cycle* (p. 117). And so, 'For Harrod, the cycle was related to the process of capital accumulation and was thus an inevitable and endogenous feature of capitalist economies, independent of errors or mistakes, or imperfect information. The cycle would even occur under conditions of perfect foresight' (p. 155).

Although Harrod had some understanding of the multiplier, as visible in his 1933 book *International Economics* (commissioned by Keynes in 1927 for the Cambridge Handbooks Series), it was only in 1935 after Harrod received the galley proofs of the *General Theory* that he grasped 'the importance of the multiplier and the theory of effective demand' (p. 45). And, Harrod's accelerator idea was inspired as 'a result of his exchanges with Gottfried Haberler on a draft of his book *Prosperity and Depression*' (p. 126). From the letters to Haberler in the months of October and November 1934, Caldentey concludes that, for Harrod, 'Instability meant that there is no such thing as an equilibrium rate of interest or an equilibrium volume of output even if there were no rigidities' (p. 180).

Solow's marginalist interpretation of Harrod, based on the degree of substitutability of factors, allowed Harrod's work on dynamics to be 'subsumed under the fixed technical coefficient Harrod-Domar growth model' (p. 351).[1] And 'Harrod opposed vehemently the term knife-edge to describe the workings of his model' (p. 350). Moreover, in a letter to Jan Tinbergen in July 1937, Harrod asserted that 'any single-handed attempt to give a rigid mathematical formulation to my theory would not be successful…' (p. 200).

In Harrod, since the values of the propensity to save and the incremental capital–output ratio are independent of the value of the actual growth rate, 'the moving equilibrium is…inherently unstable' (p. 179). Caldentey convincingly alerts us to the fact that 'The core idea of his model, the "cumulative deviations from an unstable moving equilibrium," faded into the background and his dynamics came to be identified with growth theory, more particularly with balanced growth, and his contribution subsumed under the Harrod–Domar growth formula' (p. 207). In sum, Harrod 'thought that *laissez-faire* capitalism was unstable' (p. 409).

Investment and Interest Rates

The dominant view is that private investment is highly sensitive to the rate of interest. What did Harrod think? In order to gather empirical information, Harrod had brought together a group of economists which led to the creation of the Oxford Economists' Research Group in 1936 (p. 127). 'The inquiries of the group showed that interest rates were not significant in explaining investment decisions. This result played an important role in Harrod's downplaying the impact of interest rates on the capital-output ratio in his dynamic equation' (p. 127; also see p. 365).[2]

For Harrod, the changes in the 'volume of credit' is related to 'changes in the volume of trade, production, and employment' (p. 95). This is instructive because marginalist monetary theory (especially the New Keynesian variant) does not incorporate the system of production.

However, as it will soon become clearer, Harrod was often inconsistent in his positions. And so, Harrod's 1960 article 'Second Essay on Dynamic Theory', Caldentey notes, 'seemed to contradict his earlier views and stated the importance of the rate of interest as a determinant in choosing more or less capital-intensive methods of production' (p. 367).

The Mechanism of Growth

In Harrod's account, the actual rate of growth 'cannot exceed the maximum rate of growth, which is allowed by population, technology, and preferences assuming full employment, i.e., the natural rate of growth' (p. 192). Despite his adherence to the multiplier and the accelerator, such a view of growth is similar to Solow's supply-side standpoint. In terms of policy, Caldentey notes that, 'For Harrod, the main aim of fiscal policy was to correct the tendency to over- or under-saving' (p. 420). On an earlier page, Caldentey writes that, for Harrod, 'Capital goods cannot be created unless the required savings are provided for that purpose' (p. 155). But then, Harrod also notes that, 'the absolute amount of durable goods depends on the rate of increase of the amount of consumer goods' (p. 141). In other words, investment is not independent of consumption.

On Policy

According to Caldentey, Harrod 'believed that the absence of demarcation and the application of a static framework to problems that were inherently dynamic led to the implementation of policies that accentuated rather than mitigated economic imbalances' (p. 219).

The chief aim of economic policy, according to Harrod, was to maintain a full-employment rate of economic growth (p. 42). To increase output and employment levels, Harrod 'advocated the establishment of a Public Works Planning Commission' (p. 157). In his 1961 article on real balances, Harrod writes, 'it may be necessary to maintain public works and public borrowing as permanent processes to be intensified from time to time when the determinants threaten a depression' (p. 157). But, at times, Harrod argued against the use of public works (p. 380).

On Classical Economics

Harrod noted that the work of the old classical economists contained both static and dynamic elements (p. 221, n. 7). According to Caldentey, '…Harrod argues that classical economists did not have a theory of the determination of the level of output' (p. 83). Caldentey adopts the position (p. 223, n. 9) that in classical economics, 'savings is investment' and therefore 'supply is the same thing as demand and capacity is fully utilized'. The latter is an interpretation I have challenged in Thomas (2021) by focusing on the analytical roles of 'effectual demand' and 'extent of the market' in Smith and Ricardo.

A Marginalist Economist?

From Caldentey, it is clear that Harrod had no fundamental dissatisfactions with the marginalist framework. 'Harrod was of the opinion that the theory of supply and demand was a valid tool for the determination of the volume of trade or output' (p. 20). Furthermore, Caldentey notes that 'According to Harrod, the diminishing utility of income provided a sounder basis to explain human behavior, choice, and the existence of the rate of interest (which Harrod defined as the reward for waiting)' (p. 361). In other words, Harrod endorsed the 'orthodox value theory' in the study of statics (p. 22). Although, not entirely. Wages were not determined by the marginal product of labour because 'the system of distribution depends on the bargaining power of workers and entrepreneurs' (p. 84).

In Harrod's 1930s writings on competition (which used marginalist concepts like the marginal cost curve), 'production is supply-side determined' (p. 103). And, under conditions of monopoly, the presence of 'decreasing costs in the short run and the long run' allowed output to be demand determined (p. 104). However, Harrod challenged the Marshallian supply and demand framework in his 1931 article 'The Law of Decreasing Costs': 'In the usual analysis supply and demand schedules are regarded as independent of one another. … Cost becomes a function of two independent variables, quantity of output and state of demand. Thus the traditional analysis breaks down' (p. 105).

It also appears that Harrod had no theoretical dissatisfaction with the marginalist law of diminishing returns but only an empirical one: 'in his analysis of the static determinants pertaining to an advanced capitalist economy, the law of diminishing returns was of doubtful importance since output consisted mainly of intermediate and finished goods rather than of resources that have to be extracted from the soil' (p. 140).

Though Caldentey rightly concludes that, '…Harrod was unwilling to give up some of the basic tenants [sic?] of neoclassical economics' (p. 409), it would have been helpful to have a separate section on the affinity of his economics with that of marginalism. Moreover, I would have liked to see a discussion on Harrod's review of Sraffa's 1960 book *Production of Commodities by Means of Commodities* and Sraffa's published response, both in the *Economic Journal*, which further attests to Harrod's marginalist bearings (for an account, see Thomas, 2018, pp. 21–23).

Conclusion

The character of the physical book is odd; each chapter begins with an abstract and ends with a bibliography. It is perhaps a printed version of the electronic chapters that are sold separately online. The price of the imported book is close to ₹8,000, a rather prohibitive price for those of us located in the Global South; I must acknowledge my colleagues at the Azim Premji University Library for procuring the physical book (since the publisher shared the e-book). The high price is even more disappointing given the widespread presence of infelicities of the English language in the book,[3] and the index is rather poorly done.

It is clear from Caldentey's book that Harrod has been 'underrated', 'misunderstood' and 'misinterpreted' owing to reading Harrod's work on instability and growth through a marginalist lens and due to his own contradictions (p. 402). Indeed, it is precisely such a kind of learning that the study of the history of economic thought offers. History of economic thought provides the ballast for extensive conversation between past and present economic ideas as well as between various contemporaneous schools of economic thought. It is in this spirit that Caldentey calls for 'an understanding of Harrod based on his own terms and logic, and theoretical frameworks' (p. 407), which the book does deliver, and in an accessible manner too. Therefore, parts of it can be used as required reading in courses dealing with macroeconomics and economic growth at both undergraduate and postgraduate levels. And for those of us in the Global South, unfortunately, we have to await a cheaper paperback version.

Notes

1. Caldentey documents Solow's position (in the aftermath of the 2008 Global Financial Crisis) where he recognised aggregate demand deficiency (p. 393).

2. We had raised concerns about the dominant marginalist view of private investment and interest rate for the Indian economy in Thomas and Walling (2015).
3. I provide a sample here: ‘dynamics’ instead of ‘dynamic’ (p. 23), ‘believed’ instead of ‘believe’ (p. 34, n. 76), incorrect use of a comma (p. 45), a missing punctuation (p. 56), ‘portrayal as Keynes’ instead of ‘portrayal of Keynes’ (p. 56, n. 135), ‘theory if’ instead of ‘theory of’ (p. 167), and ‘Marshal’ instead of ‘Marshall’ (p. 234, n. 25).

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Alex M. Thomas
School of Arts and Sciences, Azim Premji University
Bengaluru, India
E-mail: alex.thomas@apu.edu.in

Sasanka Perera, *The Fear of the Visual? Photography, Anthropology, and Anxieties of Seeing*. Orient Blackswan, 2020, 260 pp., ₹850 (hardback).

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The Fear of the Visual: Photography, Anthropology, and Anxieties of Seeing explores the use of photographs as a source of sociocultural and political information, as well as an object of interpretation in anthropology and sociology. The author reflects on the causes of the rise of exclusive disciplines like visual anthropology and visual sociology when anthropology and sociology, in their early stages, were visual in nature. He also presents a history of the genesis and evolution of photography in South Asia, with a focus on its relationship with personal and sociocultural factors.

The book contains nine chapters, the essence of which is discussed below. Each chapter is prefaced with the author’s personal experience, and these anecdotes serve as entry points into the study of each of the themes presented in the book. Opposed to the idea of shutting out the personal dimension to attain objectivity in research, he states that it was his interest in photography that led him to the study. Household objects such as photographs from his family album, collection of photographs of others, encounters with people and his classroom interactions with students, all drawn from memory, became objects of critical interpretation. Throughout the book, the author reflects on the intersection of the technical and beyond-technical dimensions of photography, with an emphasis on the subjective dimension that mediates circulation of photographs. Using photographs as a motif, he discusses issues of representation, politics, power, ethics and aesthetics.

The Colony and Photography

Photography as a technology can be traced to the colonial period in South Asia. Photography came to Sri Lanka (then called Ceylon) in the middle of the nineteenth century, shortly after the camera was invented in 1839 by Jacque-Mande Daguerre.