

**Kayoko Misaki,
Léon Walras's Economic
Thought:
The General Equilibrium
Theory in Historical
Perspective**

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"I strongly lament the fact that in Japan, the ordinary people have a limited recognition of social sciences, and especially a very poor knowledge of economics, thus arresting the general development of Japan as a country." (Yasuma Takata, *Essays in my life and social sciences*, Bungei Shunju Publishers, Tokyo, 1941.) This strong warning was once issued by Yasuma Takata (1883-1972), one of the greatest social scientists in Japan and also a legendary guru of Michio Morishima (1923-2004) at Kyoto University and Osaka University. When I as the reviewer had a privilege of carefully reading Kayoko Misaki's very recent book *Léon Walras's Economic Thought* (2024), Takata's warning aforementioned suddenly crossed my mind as if I had been struck by lightning.

As far as I know, Misaki is an ambitious and even brave person in the sense that she often meets difficulty with courage. In fact, this new book aims to challenge the following final conclusion by great social scientist Joseph A. Schumpeter (1883-1950). "Unfortunately, Walras himself attached as much importance to his questionable philosophies about social justice, his land nationalization scheme, his projects of monetary management, and other things that have nothing to do with his superb achieve-

ment in pure theory." Misaki bravely sets herself in direct opposition to Schumpeter's authoritarian opinion in the following way. "Walras believed that pure economics, although it formed the basis of his social and applied economics was not everything, and that economics was complete only when all three fields combined." I myself admire Misaki's very firm position as a sincere scholar.

In the 1960s in which Japanese universities were so noisy and turbulent that they became no longer good places for study and research. Very fortunately, I was admitted with fellowship to the Graduate School of Economics, the University of Rochester, in which Lionel W. McKenzie (1919-2010), as one of pioneers together with Kenneth J. Arrow (1921-2017) and Gerald Debreu (1921-2004), was dominant in the field of general equilibrium theory. Modern value theory was then a compulsory subject for all students, with the English translation of Walras's book *Éléments d'économie politique pure* being used as a main textbook. At Rochester, this classical book was highly recommended by McKenzie and all his colleagues as the best introduction to advanced courses such as general equilibrium and international economic theories. In hindsight, it

seemed that our master teacher McKenzie more or less agreed with Schumpeter's dogmatic evaluation that pure economics represented the main body of great Walrasian system, and other things related to social and applied economics should be ignored as fragmentary appendices.

In what follows, let me selectively discuss the contents of Misaki's new challenging book. The book consists of two parts, Part I and Part II, and each part contains three chapters. The first part is entitled "Walras and his predecessors", carefully discussing how and to what extent Leon Walras (1834-1910) differentiated himself from Adam Smith (1721-1790), Jean-Baptiste Say (1767-1832), and A.N. Isnbard (1748-1803). Misaki considered Walras's references to Adam Smith not only in his main work *Elements of Pure Economics* (first edition, 1874-1877) but also in his handwritten notes in the French version of the *Wealth of Nations* by G. Garnier (1859), which has been courteously housed as a very valued book in the Walras Library at the University of Lausanne. Here, I can see Misaki's true sincerity as a first-rate scholar. It is remarkable to see that Walras never referred to Smith's catchy expression of the "invisible hand", which has long and consistently been praised by many economists as a convincing evidence that the capitalist economy should work well and efficiently. In short, there should exist a tall and solid wall between Walras and Smith.

The second part is conspicuously entitled "Misunderstood ideas of Walras", thus demonstrating perhaps the best part of Misaki's sharp presentation. Walras began his analysis by assuming that on the abstract level of pure economics, the three-types of capital — land, labor and capita proper — were just equal

when determining the price of the services provided. However, he did not necessarily believe in the actual homogeneity of those three factors in the real world. In fact, discussing labor market policy in applied economics, he argued the necessity for state intervention as well as his objection against strikes. As Misaki rightly noted, Walras himself criticized the adoption of unrestrained laissez-faire doctrines in the labor market. Whereas Walras' fond concept of "organized free competition" should be entirely different from the often misapplied concept of "laissez-faire", how and to what extent those two concepts were really distinct remained to be unclear even today. I am sure that this is a very important point, urgently requiring for further research.

As was well-known, Walras was a social reformer in the sense that in his social economics, he passionately advocated the nationalization of land. According to such drastic plan, the total abolition of all taxes would be possible, because the State as the only land owner could pay all public expenditures with the revenues obtained as rents from land borrowers. At appearance, the land nationalization plan à la Walras seemed to be just a dream for almost everyman. At present, however, if we regard land as a very important part of social common capital à la Hirofumi Uzawa (1928-2014), a sort of extended Walras-Uzawa environmental project would possibly be re-evaluated as the earth-saving grand project for every creature living on the earth. As the saying goes, we can still learn new lessons from old teachings.

Far back in the 1970s, I myself was teaching general equilibrium theory at the University of Pittsburgh after I received my Ph.D. from the University of Rochester, with Lionel W. McK-

enzie being my thesis adviser. At Pittsburgh, one of my colleagues there told me that a very smart graduate student from Sweden, named Axel Leijonhufvud (1933-2022), had been studying very hard some time ago, and later wrote his well-known book *On Keynesian Economics and the Economics of Keynes* (1966), eventually serving as a star professor at the University of California at Los Angeles. He became very famous as a very sharp critique of the seemingly popular interpretation of Keynes' *General Theory of Employment, Money, and Interest* (1936) by many Keynesian economists. He criticized the easy and familiar IS-LM apparatus à la J.R. Hicks (1904-1989) as the product of misunderstanding and misinterpretation of *General Theory*. According to his own way of thinking, the popular "Keynesian economics" based on the IS-LM interpretation was regarded as a kind of equilibrium model, which should be in direct opposition to the genuine and disequilibrium-minded form for "the economics of Keynes".

When I read Misaki's ambitious book on Walras, Leijonhufvud's way of drawing a sharp line between "Walrasian economics" and "the economics of Walras" suddenly occurred to me. On the one hand, in line with the authoritative Schumpeter tradition, Walrasian economics used to focus on pure economics by neglecting applied and social economics. On the other hand, the economics of Walras is now highly endorsed by the ambitious Misaki, covering a very broad fields including pure, applied and social economics. Although I myself was once trained as a general equilibrium theorist, I am now inclined to considerably change my stance towards the completion of the grand economics of Walras in the sense that it deals with pure, applied and social economics.

To sum up, Walras is an open-minded scientist dealing with a wide range of topics including applied, social and environmental sciences. I look forward to seeing the arrival of the second Walras on the academic stage in the not-too-distant future.

