

## **Robbins, time, value and sustainability**

### **Abstract**

The aim of this paper is to evaluate and extend Robbins's famous definition of economics in the light of subsequent developments in neoclassical economic theory and non-neoclassical economic and management theory, in particular Schumpeterian, resource and system-based perspectives.

We provide three propositions:

1. Post-Robbins neoclassical economic theory has adopted a restricted interpretation of Robbins's definition that focuses on the Pareto efficient allocation of scarce resources flowing from "optimal" industry structures such as perfect competition or perfect contestability. This focus has in turn led to a relative neglect of intertemporal efficiency in neoclassical economics, be this through innovation or other means of value creation. It has also left neoclassical economics exposed to the Schumpeterian criticism that perfect competition removes the incentive for innovation, namely (transient) monopoly profits.
2. Recognising that time is an important -resource helps address the limitation of the neoclassical approach. But it also raises a conundrum with respect to Robbins's definition. While time is by nature "intertemporal", Robbins's definition is typically interpreted as focusing on decisions at a given point in time. In addition, while time may be scarce for a particular individual at a given point, it is not necessarily scarce for individuals and/or nations more generally, in that time as a resource can be extended through increases in longevity and the size of populations. Similarly other resources may not be scarce, may be (non) renewable, or subject to increasing returns. All these point to the need to revisit Robbins's definition.

The neoclassical interpretation of Robbins's definition is that the aim of Economics is the efficient allocation of scarce resources. Recent developments in resource-system-based economics return to the classical and Schumpeterian view that Economics is concerned with sustainable value creation (SVC). Putting SVC centre stage requires an extension of Robbins's definition. We provide one, after developing a framework on the nature and determinants of SVC synthesising neoclassical, classical and Schumpeterian-evolutionary ideas.

C. Pitelis,  
Judge Business School and Queens College  
University of Cambridge

J. Runde  
Judge Business School and Girton College  
University of Cambridge