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**To cite this article:** Kofi Adjepong-Boateng & Christine Oughton (27 Mar 2024): Edith Penrose and the Penrose Lectures, *International Review of Applied Economics*, DOI: [10.1080/02692171.2024.2331000](https://doi.org/10.1080/02692171.2024.2331000)

**To link to this article:** <https://doi.org/10.1080/02692171.2024.2331000>



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Published online: 27 Mar 2024.



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## Edith Penrose and the Penrose Lectures

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### ABSTRACT

This article summarises Edith Penrose's career and impact on two disciplines - economics and management. The extent of her influence can be gauged by scanning the pages of leading publications in both fields, where copious references to Penrosian Theory, the Penrose Effect, the Penrosian Firm, Penrosian Analysis, the Penrosian Perspective, Penrosian Dynamics are standard. Penrose also played a major role in a variety of economics associations, policy bodies and government inquiries. This article considers the nature of her achievements and the fact that they are all the more remarkable for having been made at a time when economics was even more male dominated than it is today. Perhaps it is because she was a woman that her major contribution – The Theory of the Growth of the Firm - modelled firms as collections of people rather than as anonymous automata. We show how her contributions are honoured today via the annual Penrose Lectures; two lectures given each year at SOAS University of London, on a topic in economics, management or political economy. One of the objectives of the Penrose Lecture series is to showcase the work of leading women working in the fields of economics and management.

### ARTICLE HISTORY

Received 10 March 2024  
Accepted 11 March 2024

### KEYWORDS

Penrose Lectures; women in economics; management

### JEL CLASSIFICATION



A11; A31; B31; D21; D22

Academics seldom shape their discipline to the extent that their name becomes a byword for theory, practice and policy. Keynes is a noteworthy example, leaving a legacy of Keynesian economics and policy that shaped the international economic order, underpinned the golden age of economic growth, helped to create a central bank in India and led a US President to declare himself a 'Keynesian' in 1971.

Even fewer academics have achieved such acclaim across two disciplines. Edith Penrose, however, is one of them, her influence spanning the disciplines of economics and management. Her achievement is all the more remarkable given the lack of representation and recognition of women in economics, both then and now.

The absence of women in the economics profession has not gone unnoticed, at least by the *Financial Times* (FT), *The Economist* and other media outlets. Both (Coyle 2017) and (Tetlow 2018) have highlighted this problem in the *FT*. In her article, Gemma Tetlow

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pointed out that in 2018 Elinor Ostrom was still the only woman at that time to have been awarded the Nobel Prize in Economics; and in 2019 Rachel Griffith, Professor of Economics at Manchester University, was only the second female president of the Royal Economic Society since its creation in 1890.

Moreover, a list of influential economists published in *The Economist* in 2014 attracted much attention, a fair bit of which was critical. One of the criticisms was the total absence of any women. In a more recent article in the same publication, it was argued that the gender problem in economics results in fewer ideas to benefit the discipline and the consequent disadvantage of a skewed point of view.

Writing in the *New Statesman* in 2017, as the winner of the (Weetman 2017) Virago/*New Statesman* Women's Prize for Politics and Economics, Weetman observed:

Economics has a problem with women. I write this as a woman who has studied, worked in and is now writing about the subject. The data bears this out. Across the UK, just a quarter of undergraduate economics students are women. This is about the same proportion as the economics teaching and research academics at the University of Cambridge: by contrast, women make up 43 per cent of the Cambridge psychology faculty ... Where are all the women? Why does economics fail to attract women in the way that other social sciences do? ... Perhaps they are discouraged from joining the world of economics as it doesn't seem likely to reward them with career prospects. According to a 2014 paper by the economists Donna K Ginther and Shulamit Kahn, working with the psychologists Stephen J Ceci and Wendy M Williams, once you control for productivity (which they measured by the number of published research articles), men and women have the same promotional outcomes in most academic fields – but not in economics.

So, while progress has been made since Penrose's time, the problem remains and one of the aims of the Penrose Lectures, held annually at SOAS University of London, is to showcase the work of leading scholars in the fields of economics, management and political economy. To ensure that the work of women scholars is recognised appropriately, a founding principle of the Penrose Lectures is that at least half of the lectures should be given by women. The lectures have been supported by the *Financial Times* and ties in with their *Women in Economics, FT Collection*. To set the lectures and this special issue in context it is instructive to consider briefly the career and contribution of Edith Penrose, not just as a pioneering woman economist, but also as an outstanding and original theorist, thinker and contributor to academic and policy debates. Those interested in more detail will find Angela Penrose's (2018) biography of Edith Penrose invaluable; we draw on her biography and our discussions with Angela Penrose below.

After graduating with a degree in economics from the University of California at Berkeley, and completing her PhD in economics at John Hopkins University, Penrose held a joint Readership at two University of London Colleges – the London School of Economics and the School of Oriental and African Studies (SOAS), before becoming in 1964 the first woman to be appointed to a Chair in economics at SOAS.

Penrose worked in the field of economics until she retired from SOAS in 1978; yet her contribution is equally, if not more widely recognised by management scholars and practitioners. Indeed, after retiring from SOAS in 1978 she became Professor of Political Economy at INSEAD – one of the world's leading business schools (Penrose 2018).

Her best-known work, *The Theory of the Growth of the Firm*, was originally published in 1959, and remains in print to this day. The book probed inside the conventional 'black box' model of the firm to look at the way in which the combination and renewal of resources within firms shaped their growth. This analysis provided fertile ground upon which to sow new theories of firm behaviour, dynamic business performance and strategic management, leading to the development of the *resource-based view* of the firm and the approaches of *dynamic capabilities* in strategic management. Firms are important to our livelihoods by being the primary engine of economic growth and prosperity across nations. For this reason, an analysis of what drives the success of firms is of critical importance and it is what keeps Penrose's work relevant.

To gauge the extent of her impact in the fields of both economics and management, one need only scan the pages of leading publications in both fields, where copious references to *Penrosian Theory*, *the Penrose Effect*, *the Penrosian Firm*, *Penrosian Analysis*, *the Penrosian Perspective*, *Penrosian Dynamics*, and so on, are standard.

Penrose's work laid the foundation for a new general theory of the growth of firms. Rather than seeking to explain the optimal size and efficiency of firms, something that had preoccupied much of economic theory since Marshall, Penrose focused on a different question: why, faced with the same market conditions, do some firms grow while others stagnate? Her answer identified the key role of firms' managerial, or entrepreneurial capacity to create and renew the resources required to generate new products, new processes and new market demand.

Throughout her career, Penrose slipped easily between academia and policy, using her research to inform economic policy, political economy and wider humanitarian issues. She witnessed many major events of the 20th century, including the Depression in the US and the Second World War. During this, she worked as a special adviser to the US Ambassador in London, and on food planning with her husband in England and in Switzerland to help Jews escape from Germany. During the post-war reconstruction, she helped Eleanor Roosevelt with the drafting of the Universal Declaration of Human Rights; and lived through the oil crisis of the 1970s. Her work as an economist made its mark in several areas of which she had direct experience – the patent system, the theory of the firm, multinational enterprises, the oil industry, and the economics of the Middle East.

It is worth noting, too, that during her time at SOAS, as Visiting Professor at the University of Dar es Salaam in 1972, she participated in a sensitive mission to University College, Rhodesia where she openly expressed her contempt for the College's collusion with racial segregation.

Professor Penrose also held a number of positions outside academia, including membership of the UK Government Committee of Inquiry into the Relationship of the Pharmaceutical Industry with the National Health Service (the Sainsbury Committee) from 1965 to 1967 and the Medicines Commission in 1975–78. She was an advisor to the UK Monopolies Commission from 1968–1970 and also served on a variety of associations of economists: chairing the Economic Committee of the SSRC/ESRC from 1970 to 1976; on the Council of the Royal Economic Society from 1975 to 1980; as a Director of the Commonwealth Development Corporation from 1975 to 1978; and as a member of the Overseas Development Institute from 1992 to 1994.

Edith Penrose was a truly remarkable person and the Penrose Lectures were established in recognition of her work and legacy. Few women have had as distinguished and influential a career in economics as hers. She was influential in the affairs of many countries and her ground-breaking ideas in the fields of management, patents and petroleum, as well as her work as a writer, as a member of committees and as a university professor, all set her apart. The goal of the Penrose Lecture series is to bring her work and the work of many other outstanding economists and management scholars who have continued to expand on her thinking to a wider audience of faculty, students, practitioners and the general public. However, the lectures are not confined to Penrosian themes or to the work of Penrose, rather they celebrate her life's work in the areas of economics, management and political economy and can be on any topic in those fields.

The inaugural Penrose Lectures were given in 2018 by Professor Bronwyn H. Hall, one of the world's foremost authorities on R&D, innovation, patents, productivity and industrial policy. Professor Hall is Emerita Professor at the University of California at Berkeley, a Research Associate of the National Bureau of Economic Research and the Institute for Fiscal Studies, London, and a Visiting Fellow at NIESR, London. Hall's lecture covered her work on the economics and econometrics of technical change and innovation. She presented it in the context of Penrose's work on innovation as a source of a firm's profits and the enhancement of profitability through learning at firm level, partly through developing new applications of its current resources (Cantwell 2002). An article based on her Penrose Lectures is included in this Special Issue.

In 2019 the Penrose Lectures were given by Professor Rita McGrath a world-renowned leader of management theory and an expert on leading innovation and growth in times of uncertainty a professor at Columbia Business School. In her first lecture on 'Financialisation and the Innovative Capability of Firm', McGrath (2019a) highlighted the contemporary relevance of Penrose's analysis,

"Penrose sounded an early warning in the 1995 introduction to *The Theory of the Growth of the Firm*. She expressed concern that we are now contemplating conditions in which corporate leaders 'may well be more interested in their own financial rake-offs through high salaries, stock options, golden handcuffs, bonuses, etc. than in the growth of their firms'. Financialisation undermines growth, both of firms and of the overall economy, in ways that are entirely predictable given Penrose's theory. Those in the financial sector find it more lucrative in the near term to invest in other financial assets or in assets (such as real estate, stocks and bonds) that already exist, not in the creation of new resources. Executives stand to earn more for themselves (and for shareholders) by extracting value from firms rather than investing in long-term capability building. And when incentives are to engage in financial engineering rather than entrepreneurial activity, it is no surprise that we get more of the former and less of the latter. Proposed remedies would do well to build on what Penrose has taught us.

McGrath's second lecture (McGrath 2019b), 'From Firms to Markets: How Digitisation is Changing our Theories of Firm Level Growth' considers the role of asset ownership in an era of digitalisation,

Today, digitization has made it entirely possible for firms to grow without owning any assets to speak of. Instead, they utilize the services of assets owned by others. Penrose actually anticipated something like this – pointing out that it was not the resources of a firm that gave it an advantage but the 'services' executives extracted

from those resources. . . . Essentially, digital technologies have relaxed the constraints that more traditional firms operate under, creating an inflection point in the nature of what growth is possible and how we should understand the limits to firm growth.

In 2020 the lectures were not held due to COVID-19; instead, a Penrose Lectures Special Event Panel was held online with contributions from Angela Penrose, Kofi-Adjepong-Boateng, Jonathan Michie, Christine Oughton and William Lazonick. In 2021 Professor Mary O'Sullivan delivered lectures on 'Profit, Power and Patents in Late 18th Century Capitalism', published in *Past and Present* (2023), and 'Capitalism and Crisis: the Real Problem of the Great Depression', published in *Economic History Review* (O'Sullivan 2022). The 2022 Lectures were given by Professor Mariana Mazzucato entitled 'From Market Fixing to Market Shaping' and 'A Challenge Led Approach to Industrial Strategy'. An article based on the lectures is included in this Special Issue. Professor William Lazonick gave the 2023–24 lectures on two inter-related themes, the first dealing with fundamental weaknesses in the neoclassical theory of the firm, and the second exposing the effects of shareholder value on innovation, sustainability, equity and growth. These issues are discussed in his article in this Special Issue.

## Disclosure statement

No potential conflict of interest was reported by the author(s).

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