

# HES



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**Abstracts of Papers to be Presented at the  
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**FRI1A Session - Rm. 211      CENTRAL BANKING**

**Utility Matters: Malinvaud and growth theory in the 1950s and 1960s  
Pedro Duarte and Matheus Assaf**

The textbook narrative of the development of growth models usually takes Robert Solow's 1956 contribution as a key starting point, thus placing the prior works of Roy Harrod and Evsey Domar as a foil to Solow. In Solow's one-good model the saving rate is exogenous and, therefore, the next important development is a one-good model in which agents optimize utility and choose the saving rate, which is the case in the so-called "Ramsey-Cass-Koopmans" model developed in the early 1960s. Yet, the narrative goes, the other crucial development was to endogenize the rate of technological progress, another exogenous variable in the Solow model, and this was done in the 1980s in the endogenous growth literature. In such account, the multi-sector growth models are not central, and perhaps implicitly taken as another "natural" extension of the one-good Solow model to a several-goods one.

As it is often the case, the potted histories that typically appear in textbooks are historically misleading as they organize past developments usually based on theoretical concerns: in the above case, the one-good model moving from exogenous to endogenous savings, and from exogenous to endogenous modeling of the technological change. However, the road connecting Solow to the Ramsey-Cass-Koopmans model is not so straightforward. In particular, the contributions of David Cass and Tjalling Koopmans came out of the activity analysis and multi-sector models literature. And here Edmond Malinvaud played an important role in developing a utilitarian intertemporal framework. Being a student of Maurice Allais and knowing the multi-sector model of John von Neumann, Malinvaud insisted that activity analysis had to move beyond the typical production efficiency analysis to one that included the consumption of individuals.

Koopmans was involved in this literature and brought Malinvaud from France to Chicago, to the Cowles Commission, in 1950, right after the famous 1949 activity analysis conference at Cowles. In print, Koopmans gave great emphasis on Malinvaud's call for a utilitarian analysis, but eventually Malinvaud was eclipsed by the influential 1958 book of Robert Dorfman, Robert Solow and Paul Samuelson, which pushed the literature along the von Neumann path of the so-called "turnpike theorem". Five years later, a conference in Cambridge brought together Koopmans, Malinvaud, Allais and others working on turnpikes, and Koopmans

brings back Malinvaud's call for taking consumption seriously. We hope to have a richer historical account of the developments of growth theory in the 1950s and 1960s, and to stress the contribution of Malinvaud to the works of Koopmans and Cass. "

### **The Standard Narrative in History of Macroeconomics: Central Banks and DSGE Models** **Francesco Sergi**

How do macroeconomists write the history of their own discipline? This article answers the question by looking at central banks' technical documentation about their dynamic stochastic general equilibrium (DSGE) models. Indeed, one can identify in this material much more than "technical" issues: macroeconomists also present the history of their own modeling practices. In technical documentation and reports about DSGE models, we then can look for a precise narrative about the evolution of macroeconomic theory and empirical methods.

Relying on this original material, my contribution provides a careful reconstruction of the history of macroeconomics told by the practitioners working today in the field. I then suggest that such history is a "standard narrative". "Standard" means, on the one hand, that the same narrative is widespread across all the DSGE community---with very few exceptions or variations; on the other hand, I mean by "standard" the most "traditional" way of doing history of science. Indeed, standard narrative about macroeconomics relies on the idea of "scientific progress" (a steady accumulation of knowledge), bringing to "better" theorizing and "more advanced" technical tools (more effective econometrics, more pertinent data, more powerful computer support). In this perspective, "scientific progress" in macroeconomic modeling leads to a "better" and "more consistent" way of producing expertise on macroeconomic policies. As a consequence, according to this standard narrative, central banks' DSGE models represent the final achievement of this theoretical and empirical improvement. Furthermore, such a narrative plays an active role in the "standardization" of the field, by legitimating DSGE approach against criticisms and rival research strategies.

Finally, the article will survey the alternative paths for history of macroeconomics, and how they contradict the standard narrative. I suggest that, in order to overcome the standard narrative, history of macroeconomics should connect the history of theories with the history of empirical methods and the history of macroeconomic expertise.

### **Lending of Last Resort in a Monetary Union: Differing Views of German Economists in the 19th and 21st Centuries** **Hans-Michael Trautwein**

In the wake of the recent Eurozone debt crisis, the activities of the European Central Bank (ECB) meet heavy criticism, especially from Germany. Bundesbank and government

officials as well as opinion leaders in German academia have accused the ECB of violating its mandate. Economics professors have been among the leading plaintiffs taking legal action against the ECB. The overriding concern of the critics is the ECB's alleged tendency of creating moral hazard on the side of public and private borrowers.

The moral stance of the LoLR critique contrasts with the predominant views among German economists in the classical gold standard era, when the newly founded German empire merged its different currency areas into a monetary union. Erwin Nasse, Adolph Wagner, Friedrich Bendixen and others argued that the shift of debt burdens on third parties weighs less than the losses from systemic liquidity crises. Criticizing Currency and Banking views in England, German commentators questioned the credibility and sustainability of rules for monetary policy in banking crises, referring to the success of more flexible practices in Prussia. Some even developed evolutionary views, in which LoLR is a constitutive characteristic of central banking, in particular in the formation of a monetary union.

This paper compares these older German theories of monetary policy with the current German debates on LoLR in a monetary union and discusses possible explanations for the differences.

**FRI1B Session - Rm. 248      KEYNES**

### **Keynes, Public Debt and the Complex of Interest Rates**

**Tony Aspromourgos**

John Maynard Keynes consistently offered qualified endorsement of Abba Lerner's 'functional finance' doctrine – the qualifications particularly turning on Keynes's attentiveness to policy management of the psychology of the debt market. This article examines Keynes's understanding of the possible influence of public debt on interest rates in his writings from 1930 forward. With the multiplier a mechanism whereby debt-financed public investment generates matching private saving plus tax revenues, it becomes possible for Keynes to conclude that increasing public debt need not place upward pressure on the level of interest rates, so long as policy can successfully manage the psychology of the debt market. This particularly concerns long interest rates and hence, the term structure of rates. His theory of the term structure enables Keynes's conviction that policy can manage and shape long rates. The conclusion considers also whether Keynes's caution concerning public debt and interest rates retains relevance today.

**Keynes and The Royal Swedish Academy**

**Rogério Arthmar and Michael McLure**

The only international prize received by John M. Keynes in his lifetime was the 1939 Söderström Gold Medal, conferred on him by the Royal Swedish Academy of Sciences. Eli Heckscher and Gustav Cassel were both active in discussions about the prize within the Academy at the occasion. This paper addresses the events surrounding this particular episode, which has only been noted in the literature dealing with Keynes's biography. The first section presents Keynes's academic relationship with Heckscher and Cassel, both as correspondent of the Royal Economic Society and as editor of the *Economic Journal*, and through unpublished letters maintained at the National Library of Sweden. It also examines Cassel's nomination of Keynes as a foreign member of the Academy in 1924. The second section concerns the cold reception accorded to Keynes in 1937 at Wicksell's Political Economy Club, as well as the critical evaluations of the *General Theory* by Cassel (1937), in the *International Labour Review*, and by Heckscher (1946), in the *Economisk Tidskrift*. The last section recreates the proceedings of the Academy with respect to the awarding of 1939 Söderström Gold Medal, when a fierce dispute between Heckscher, who had nominated Keynes for the prize, and Cassel, who opposed the nomination, unfolded during months through the institution's deliberative instances. The final comments reflect upon the reception of the *General Theory* in Sweden, as well as upon Keynes' intellectual involvement in European reconstruction, the main aspect of his work commended by the Academy when announcing its decision to award him its prestigious honour.

### **Full Employment as a condition of crisis: Kalecki's critique to Keynes and the Fabians (1942-1945)**

**Roberto Lampa**

In autumn 1942, Michal Kalecki published a paper ('The Minimum Essentials of Democratic Planning') in *Labour Discussion Notes*, the official journal of the Socialist Clarity Group, a small left-wing discussion group formed inside the Labour Party in 1937 that aimed at changing the agenda of the party leaders. This rather obscure article was explicitly addressed to the Fabian Society members – in particular, John Maynard Keynes – whose analysis of capitalism was simplistic and misleading, in Kalecki's eyes.

According to Kalecki, in the Fabians' view full employment was essentially a technical operation, to be achieved by intellectual persuasion and some kind of basic control, such as state direction of credit-creation and investment. On the one hand, persuasion implied an over-estimation of the role of economic theory, meant as a method of moulding ideas and opinions of the country leaders. On the other hand, full employment became a mere tool in order to guarantee the correct functioning of capitalism.

Kalecki firmly rejects such a posture. In his view, in any program of social transformation the initial condition that had to be established was (guaranteed) full employment and economic

security for workers. By removing the existence of an industrial reserve army, full employment would have provided the self-confidence amongst the workers and the lower strata of society that would allow them to alter the rules of the game. In other words, full employment became a condition of crisis in a capitalist economy.

This article aims at shedding some light on such a crucial debate.

**FRI1C Session - Rm. 213**

**20<sup>TH</sup> CENTURY TRADE THEORY AND PRACTICE**

### **The Economic Equivalent of Creationism? An Analysis of the Nationalist Tradition in Political Economy**

**Alexandre Andrada**

Peter Navarro, author of books like “Crouching Tiger: What China’s Militarism Means for the World”, was chosen by Donald Trump for the position of director of the National Trade Council.

Navarro has a PhD in Economics from Harvard University and is a professor of Economics and Public Policy at the University of California (Irvine). Despite his mainstream training in Economics, Mr. Navarro is a critic of free trade, especially between US and China.

US’s trade deficits with China grew strongly since 2001, when China joined the WTO. According to Navarro, those deficits “accelerated the offshoring of America’s factories and a concomitant decline in the US domestic business investment as a percentage of our economy”. Navarro sees trade deficits as a bad thing for his country. According to him, the USA should “increase... exports, and displace some goods we now currently import with products made in America”.

The defense of an import substitution strategy for the USA is certainly a heretical proposition for the majority of America's economists.

Not by chance, in a very recent interview, when asked about his thoughts on the paper written by Navarro and Wilbur Ross – entitled “Scoring the Trump Economic Plan: Trade, Regulatory, and Energy Policy Impacts” – Larry Summers affirmed: "The arguments made are so far out of the mainstream of any kind of responsible economic thinking that they are the economic equivalent of creationism."

Economics is strongly dominated by liberal ideology. The 18th century Physiocratic motto – *laissez faire, laissez passer* – still resumes the creed of the majority of the economists about international trade.

Ricardo’s theory of comparative advantages is among the most resilient results in all the history of economic thought. Economists have this theory in their highest esteem. The defense of free trade is one point in which a virtual consensus exists among economists.

However, despite this hegemony, we believe it is an oversimplification of history to compare protectionism with creationism.

There is an old and rich tradition of economists that are critical or skeptical about some aspects of the liberal theory.

The differences between nationalists and liberals goes beyond pure economic theory questions, they are embedded in the realism vs. liberalism controversy of International Relations.

We analyze some of the main nationalists authors in political economy, in order to show the reasoning behind this ideology. In order to understand Navarro & Russ (2016), we discuss the arguments of authors such as Alexander Hamilton (1791), Henry Carey (1837), Friedrich List (1848) and Raúl Prebisch (1949)

Our conclusion is that economic nationalism is far from being nonsense; it has its own logic that depends not only on economic theory issues but also in a realistic approach to international affairs. The same way that the liberal approach to foreign trade also depends on the liberal ideology of international relations. That's why we also discuss the theory of realist authors of Political Science and International Relations, such as Hobbes, Machiavelli, Hans Morgenthau, Thomas Schelling and Kenneth Waltz.

### **Theorizing Commodities and Free Trade: A Brief History of Trade Theory and Policy** **Reinhard Schumacher**

The question of free trade is one that has been hotly debated in economics for at least three hundred years. In this article, I want to propose the thesis that the support of free trade of an economist depended on how commodities were grasped in his or her economic theory. In particular, the relationship of agricultural and manufactured commodities is decisive in this respect. Physiocrats and Adam Smith saw agricultural commodities as more beneficial for a country, while Mercantilists and Neomercantilists like Friedrich List and Alexander Hamilton saw manufactured commodities as more beneficial. This view is also held by several heterodox approaches, especially in development economics. Classical economists in the nineteenth century and neoclassical economists in the twentieth century treat both kinds of commodities as equal, with none being superior to the other. The interesting point, however, that the view on this question determines whether an economist is an ardent supporter of free trade or not. Those who argue that agricultural commodities are more beneficial and those who assume that there is no difference between agricultural and manufactured commodities support free trade policies unreservedly. Those who argue that manufactured commodities are more beneficial do not support free trade policies without qualification, especially not for less developed countries. By looking at the history of economic thought and comparing the different theories,

this difference should be traced and reasons should be given why different assumption on the characteristics of different commodities lead to different positions on trade policy.

### **History of Trade Liberalization in Pakistan**

**Fahd Rehman**

The paper traces the history of trade liberalization from 1972 to 2015 in Pakistan. The study has been divided into three distinct periods based on trade reforms. The partial liberalization period from 1972 to 1987 was manifested through slight removal of import licensing, easing of quantitative restrictions on imports, higher average tariffs and fixed exchange rate regime. The industrial sector remained the engine of growth during this period. Trade liberalization period from 1988 to 2004 was marked by gradual tariff reforms, abolished import licensing system, and continued removal of non-tariff barriers and exemptions. These reforms led to the stagnancy in the industrial sector. The Post Liberalization period from 2005 to 2015 was marked by the implementation of the WTO regime, beginning of Free Trade Agreements (FTAs) in the spirit of globalization.

The history of trade liberalization has been explained on the basis of change in the distribution of domestic demand towards imported goods. In other words, the possible underlying mechanism was the reduction in protectionism which encouraged excessive consumerism directed towards imported goods and services to be called 'import led deindustrialization'. The history examined the role of the multilateral institutions and the middle class in diffusing the power of the state. The way trade liberalization weakened the fiscal capacity of state since the state was dependent on international trade taxes to run its affairs. These factors further explored how trade liberalization served as a catalyst to de-industrialization, and finally stressed the significance of trade protection in promoting industrialization.

**FRI1D - Rm. 341      WEALTH, POVERTY AND INEQUALITY**

### **Wealth and Poverty in Islamic Economic Thought**

**Ayman Reda**

Economics, since its inception as an autonomous discipline, has regarded the creation and expansion of wealth as a central part of its theoretical outlook and practical agenda. The accumulation and expansion of wealth has been consistently embraced as the effective means to alleviate the social and economic problems resulting from scarcity and poverty. A careful examination of ancient and medieval economic thought, however, reveals a distinct and



frequently contrasting view of the relationship between wealth and poverty. In many cases, the relationship is viewed in a zero-sum socio-economic framework, with wealth as the progenitor of poverty. This study attempts to contribute a distinctive perspective to this debate, by examining the Islamic position on the nature of the relationship between wealth and poverty, and the implications of this position with respect to modern economic theory and policy. The study addresses these issues by examining Islamic scripture, traditions of the Prophet (hadith), and the views of past and contemporary Islamic theologians, exegetes, philosophers and economists. The study engages in a comparative analysis with Greek economic thought, and the classical, neoclassical and heterodox schools of economic thought. In addition, the paper examines interesting parallels and links with Christian economic thought, by surveying the moral teachings of the Old and New Testaments, the social and economic thought of the Church Fathers, and the early and modern papal encyclicals.

### **Economics, Utilitarianism and Human Dignity: A Historical Perspective**

**Daisuke Nakai**

This paper presents examination of whether utilitarian economic thought contributes to the cultivation and fostering of the idea of human dignity among people or not. Although various assessments have been made of utilitarianism in diverse fields, it is generally held that utilitarianism unduly emphasizes the value of utility and that it permits a sacrifice of individual rights in favor of general interests and efficiency.

First, we briefly review recent studies of the idea of human dignity, and examine its negative role in contemporary economic theory “lead[ing] people or groups to walk away from reasonable offers” (Bénabou and Tirole 2016, *Mindful Economics: The Production, Consumption, and Value of Beliefs*, *Journal of Economic Perspectives*).

Second, we specifically examine the positive role of utilitarian economic thought for the establishment and realization of human dignity. Although negative views exist among scholars that traditional considerations for poor people had been expelled by the rise of economics preaching the function of self-interest and free competition, it is supposed that the horizontal views of rich and poor people by Smith had opened the way to formulation of the modern notion of distributive justice (Fleischacker 2004, *A Short History of Distributive Justice*). Moreover, the development of political economy at the hands of Mill, Sidgwick, Marshall, Pigou, and Keynes, which often strongly propounds utilitarian character, encouraged the idea of human dignity by interpreting the mechanism of national economy and its growth, and by contributing to the formulation of the concept of a welfare state.

### **Is “Bourgeois Equality” an oxymoron?**

**Calvin Hayes**

This paper compares how two prominent economic historians explain the rapid growth of early modern economies. Both are convinced that ideas help explain the unprecedented growth of Western economies between 1600 and 1900 and beyond. Deirdre McCloskey credits the Dutch (circ. 1600) for creating a more egalitarian society. This leads to “The Great Enrichment”. She argues: “the Four Rs of Reading, Reformation, Revolt, and Revolution” caused the Great Enrichment.

Edmund Phelps credits “The Enlightenment” and ‘Grassroots Innovation’ for similar results in the same period. Phelps argues that “grass roots innovation created jobs challenge and change”.

What is meant by “Bourgeois Equality”? It is primarily “equal liberty [which] arose from theological and political revolutions in northwest Europe”. Ergo liberalism “derived.. from egalitarian accidents in politics 1517-1789”: In Adam Smith’s words, the system of natural liberty “allowing every man to pursue his own interest his own way, upon the liberal plan of equality, liberty and justice.”

Why in Northwest Europe? Is it a coincidence that these were the homes of mostly Protestant societies? Here I diverge to consider the theses of Weber on the Protestant work ethic and capitalism.

I argue for and against McCloskey and Phelps On philosophical and historical ground I argue that liberalism was not merely due to “egalitarian accidents in politics”. But she is right about Bourgeois Equality. I manly disagree with Phelps in his interpretation of the Enlightenment. I finish by defending McCloskey against both 19th and 20th century leftist egalitarians and 21st century “Social Justice Warriors”.

**FRI1E - Rm.214**

**FRANK KNIGHT AND HIS CORRESPONDENTS**

### **Entrepreneurial Judgment in Frank Knight and Ludwig Von Mises Per Bylund**

Judgment is core to modern entrepreneurship theory, used to distinguish entrepreneurs from common economic actors. The original use of business judgment to overcome or “bear” market uncertainty is attributed to Richard Cantillon, who identified entrepreneurship with “buying at a certain price and selling at an uncertain price” (1755: 54). Judgment also plays a role in JB Say’s (1803) economic theorizing, where entrepreneurs shift resources toward more highly valued uses, and is present in the theory of Carl Menger (1871).

More recently, business judgment is an important concept in the economic theories of Frank Knight (1921) and Ludwig von Mises (1949), and modern entrepreneurship literature has thus adopted what Foss and Klein (2012: 28) call “the entrepreneurship theory developed by Cantillon, Knight, and Mises.” This is a curious supposition because Knight and Mises are notable representatives of distinct economic traditions: Knight as a founder of the Chicago school, with Milton Friedman, George Stigler and James Buchanan among his students; Mises as arguably the strongest proponent of the Austrian school of economics in the 20th century. The schools’ distinctiveness was illuminated in a 1930s debate on conceptions of capital between Knight and Austrians FA Hayek and Fritz Machlup.

In this paper, I investigate Knight’s and Mises’ uses of the concept from the point of view of their respective economic theories. The purpose is to unearth the similarities and differences in their usage of business judgment, and its role in their respective views on economics and the market, and thus answer the question whether there can be a Cantillon-Knight-Mises theory of entrepreneurship.

## **Entrepreneurial Legitimacy between Uncertainty and Profit**

**Roni Hirsch**

How does uncertainty shape the basic structure of society? Frank Knight’s theory of the entrepreneur posits a unique new figure in the intersection of politics and economics: the risk-taker, awarded by the surplus gains of business, or the profits of enterprise. Though hardly the first to tie together risk and profit, even in modern political-economic thought, Knight’s entrepreneur marks at least two important departures from other risk-takers, epitomizing a new business ethos, which will also come to influence the ways financial markets are understood and theorized. First, the entrepreneur, like the landowner or capitalist before her, now became a proper social title, with a purported social contribution to general safety that went beyond her participation in business activity. As such, the title ‘entrepreneur’ was marked by the unique function of profit-earning and, at the same time, responsible for concealing it. Second, with Knight’s entrepreneur emerges a distinction previously unheeded between measurable and immeasurable, irreducible risk, which Knight called uncertainty.

The paper examines the origin of these innovations in the rise of the corporation, on the one hand, and the late-nineteenth-century mathematization of economics, on the other. I will show how the massive increase in risk-mitigating technologies, from insurance to large publicly held firms, helped crystalize a unique, highly individuated social function. In a world marked by risk management of sorts, the entrepreneur was tasked with carrying any persisting risks, the system’s true uncertainties. Second, I look at the ways the ‘marginal revolution’, particularly Alfred Marshall’s equilibrium model, saw in profit a problem of equal stature to that posed by uncertainty, as perfect markets seemingly left no room for unexplained surpluses. The

equilibrium model thus paved the way for the linking of risk and profit as two system outliers, inexplicable remainders united in the figure of the entrepreneur.

### **Understanding Clarence Ayres through Ayres-Knight correspondence**

**Felipe Almeida and Marco Cavalieri**

Clarence Ayres was in the core of dissenting economics during the 20th. Despite fact, little is studied about the role he played in the path taken by institutional economics. During Ayres' time, Frank Knight was what can be understood as the main neoclassical economist. In Ayres's archives, a correspondence from 1935 to 1969 between him and Knight can be found. This correspondence was rarely explored by the historians of economic thought. The objective of this paper is to go through the Ayres-Knight correspondence in order to obtain a better understanding of this important, but less studied, dissenter economist. In doing so, it is also possible to address some issues from Knight's perspective regarding both institutional and neoclassical economics.

This paper is divided into two key analyses: (1) the first analysis takes into consideration the Ayres-Knight debate about ethics. This debate can be found in three articles published in the International Journal of Ethics during the 1930s and Ayres' archives. This debate is usually analyzed as Ayres taking the institutional perspective and Knight taking the neoclassical one. However, the present study offers another interpretation; (2) the second analysis examines the debate that took place in the 1940s, owing to Knight's criticism of Gary Becker's work and Ayres reaction to it.

**FRI1F – Rm. 212      CLASSICAL ECONOMICS**

### **Malthus and Condorcet on Population: The Missing Piece**

**Jorgen Rasmussen**

This paper examines the views of the Marquis de Condorcet on population, specifically several assumptions implicit in his work *Esquisse d'un Tableau Historique des Progress de L'esprit Humain*. These assumptions are as follows-- mental ability is hereditary, the growth of human scientific knowledge from generation to generation is continual, scientific advances lead to better education and thus more scientific improvements, scientific knowledge grows geometrically, and food production depends on science, thus food production increases geometrically. Further, I scrutinize why Thomas Robert Malthus did not properly consider the effects of the above views of Condorcet in his famous essay on population, which was written as a rebuttal to the views of Condorcet and others. I also examine the Malthusian model of

population growth and its principles of population to see how their results might change if the views of Condorcet were properly incorporated. Finally, I will examine why Malthus might have neglected to properly consider the views of Condorcet. To my knowledge, only one other paper has come close to investigating what I do here. However, that work by Donald Winch, which was published in 1996 in the *European Journal of History of Economic Thought*, does not look specifically at the issues surrounding Malthus's seeming failure to properly consider and incorporate the views of Condorcet in his model. Rather, it looks at the more general reasons for various disagreements in their respective viewpoints. Thus, this paper treads on new ground in examining the origins of Malthus's famous population essay.

### **David Ricardo's Tax Analysis: From Bullionist Controversy to Principles** **Atsushi Masunaga**

The purpose of this presentation is to re-examine David Ricardo's *On the Principles of Political Economy, and Taxation* (third edition, 1821; first edition, 1817; henceforth, *Principles*) from Chapters 8 to 18.

Although Piero Sraffa pointed out that the order in the chapters on taxation in this book almost corresponds to those in Adam Smith's *Wealth of Nations*, most scholars after Sraffa have paid little attention to this arrangement of Ricardo's tax analysis in comparison with its individual subjects. In this presentation, I show that his chapters on taxation are subdivided into four parts: (1) Chapter 8 is an introduction of his tax theory; (2) Chapters 9 to 14 comprise taxes connected with land; (3) Chapters 15 to 16 involve taxes on income of capital and labour; and (4) Chapters 17 to 18 supplement the preceding chapters.

This division clarifies not only that Ricardo's tax analysis is an application of his theory of differential rent to problems on taxation, but also reflects his interests on the effects of taxation on commodity prices and general price levels, which originated from his writings during the bullionist controversy. First, in this presentation, I aim to reinterpret the implication of the arrangement in the chapters on taxation in *Principles*. Second, I will clarify an aspect of Ricardo's theoretical development since the bullionist controversy that remains comparatively unclear, focusing on his analysis of the relationship between taxes and prices in *Principles*.

### **The Apparent Irrelevance of Demand in Ricardo** **Alex M. Thomas**

The scholarship on the contributions of David Ricardo to economic theory, particularly to the theory of value, is voluminous. Much has been written about his growth theory too (Kaldor 1955-6 and Pasinetti 1960 being the seminal ones). This paper briefly discusses his theory of value and distribution and theory of economic growth. Subsequently, the role of

demand in his Principles is closely examined. In particular, his special assumption regarding saving and investment is highlighted. Also important is his assumption about the omnipresent and growing unproductive consumption. The paper concludes by noting that whilst demand does not play a role in Ricardo's theory of value and distribution, it often does, but is not very apparent due to the two assumptions, in his theory of economic growth.

## **FRI2A – Rm. 211      HOW SHOULD HISTORIANS OF ECONOMICS BE TRAINED TO WRITE HISTORY? Session I**

Most practicing economists today have only a passing interest in the ideas and texts of economists of the 19th century and earlier, and hardly more interest in economists' ideas between 1900 and the modernization of economics in the post WWII years. But as historians have begun to study the ideas and practices of contemporary economists, mainstream economists have taken notice. Such new interest in matters beyond canonical texts and "schools" forces attention to new historiographic problems regarding the utilization of sources, choices about method, varied narrative styles, and issues of ethics. Writing the history of contemporary economics changes the character of the subdiscipline of the history of economics itself and heightens economists' awareness of the historian's place, role, and task. These two sessions, in gathering short essays from several historians who have opened up the history of contemporary economics, frames an important set of approaches to constructing histories useful for both economists and historians.

The Historiography of Contemporary Economics

E. Roy Weintraub

Syllabi and Examinations

Irwin Collier

The Witness Seminar

Harro Maas

Historians and Journalists of Economics

Tiago Mata

## **FRI2B – Rm. 248      TOPICS ON THE HISTORY OF ECONOMIC THOUGHT IN LATIN AMERICA**

**Prebisch on banking and credit (1935-1948)**

**Florencia Sember**

This work studies Prebisch's ideas on banking and credit during his role as general manager of the Argentine Central Bank (1935-43), and in the course of his participation in some advisory missions to other Latin American countries. In these years, Prebisch's activities and writings reflect an interesting mix of traditional and innovative ideas.

On the one side, his ideas on monetary policy derive from his conception of the Argentine economic cycle, characterized by the external vulnerability stemming from the fluctuations in the balance of payments. This allowed him to support policies like exchange control, import restrictions, and open market operations on the part of the Central Bank, which were opposed by the British money doctor Sir Otto Niemeyer, who advised the Argentine government regarding the creation of the Argentine Central Bank.

Regarding credit Prebisch had a much more traditional approach, dominated by two main ideas. The first one was that in the economic cycle, the severity of the contraction in the descending phase was proportional to the intensity of growth in the ascending phase. This was reflected in the policies adopted by the bank that acted always under the assumption that the promotion of "artificial credit" (as opposed to "normal credit") in periods of prosperity would only make the subsequent slump deeper.

The second relevant element was Prebisch's adherence to the real bills doctrine, and the related idea that investment didn't have to be financed by credit, but by savings. Under Prebisch's guidance, the Central Bank had an active policy that looked to prevent the banks from increasing investment credit.

Lastly, we will show that these ideas also can be traced in Prebisch's role as an advisor in Paraguay, Dominican Republic and Venezuela.

### **Raúl Prebisch and Monetary Doctoring in Latin America** **Esteban Pérez-Caldentey and Matías Vernengo**

### **Latin American protectionist thought in the 19thc and interwar years**

**Eric Helleiner**

### **Macroeconomics the Latin American way: Sunkel and the quest for a structuralist model (1956-1970)**

**Mauro Boianovsky**

### **The teaching of political economy in Colombia in the XIXth Century**

**Jimena Hurtado Prieto and Carlos Andrés Álvarez Gallo**

**Hayek, not Mises, at the Head of the Austrian School****Scott Scheall**

The paper aims to clarify Hayek's theory of knowledge by way of comparison with the epistemological foundations of Ludwig von Mises' (Hayek's mentor) methodological apriorism. Hayek's epistemology cannot be made consistent with methodological apriorism of the Misesian variety, as the latter is typically construed. Beyond this, the paper shows that a methodology built on a Hayekian epistemology is not merely different than, but is superior to, Misesian apriorism in various respects central to Austrian practice and politics. In particular, Hayek's epistemology and the methodology to which it leads places the Austrian School squarely within mainstream scientific practice rather than far out on its fringe. Moreover, Hayek's methodology is, as compared to Mises', more consistent with Austrian emphases on both economic processes and the importance of learning for successful economic planning. Finally, it is shown that Hayekian methodology, which, by its nature, is thoroughly pluralistic, is consistent with the (classical-liberal) political principles often associated with the Austrian School, whereas Mises' monistic apriorism about economic science is effectively methodological totalitarianism.

**The Austrian Economist and the Skeptic Utopist: To Whom Should Proto-Welfare-Economics Be Addressed?****Alexander Linsbichler**

Ludwig von Mises' central role in the socialist calculation debates has been acknowledged ever since the early 1920s. Yet, only recently Chaloupek, O'Neill, Uebel, and others have drawn particular attention to Mises' encounter with logical empiricist and "skeptical utopist" Otto Neurath. Despite several surprising agreements, Neurath and Mises certainly provide different answers to the questions "what is meant by rational economic theory" (Neurath 1935) and whether "socialism is the abolition of rational economy" (Mises 1920).

However, previous accounts of the exchange between Neurath and Mises tend to suffer from attaching little regard to their different use of the term "rational". The paper at hand aims at reconstructing and comparing the idiosyncratic and non-uniform conceptions of rationality that underlie Neurath's and Mises' arguments.

Typical for Viennese Late Enlightenment, both scholars are mostly concerned with carving out limits of rationality. Moreover, both Neurath and Mises emphasize the crucial role of information for rational decisions. On a theoretical level, this trait is aptly accommodated by the approach of Austrian economics, which aims at a theory of action rather than a theory of



choice. Particularly, in a theory of action the available ends and means are not pre-defined, but subject to the individual's subjective framing.

Consequently, Neurath's and Mises' conceptions of rationality are not of historical interest only, but may additionally provide new perspectives to contemporary discussions regarding nudging and the assumption of an "inner rational agent". More specifically, following Sugden (2013), possible addressees of Neurathian and Misesian proto-welfare-economics are to be differentiated.

## **Women economists during Finis Austriae and interwar Vienna**

### **Giandomenica Becchio**

As Klausinger (2014) recalls, three were the heaviest disadvantages in the Viennese academia in the period between the decadence of the Habsburg Empire (late XIX century-1918) and the following two decades before the Anschluss (1938): to be a Jew, to be a classical liberal, and to be women. Anti-semitism and anti-liberalism damaged especially women economists, who usually belonged to the assimilated Jewish-Austrian middle-class. Two different groups of women economists emerged in Vienna during that period: socialist economists, inspired by Austromarxism, and classical liberal economists, inspired especially by Mises. Many women economists were active in several socialist movements of emancipation, mainly influenced by Bauer and Neurath, as well as many women economists had a significant role since the beginning of the historical Austrian school of economics, either as students of Bohm-Bawerk and Wieser or as attendees at Mises' extramural meetings.

The aim of this paper is to describe the two different groups, their similarities and their divergences, with a particular focus on their cultural milieu, "grounded on Brentano's philosophy, Bolzano's epistemology, Mach's empiricism, Husserl's phenomenology, and Breuer's and Freud's psychoanalysis, and far away from "the specter of Hegelian dialectics", (Mises [1978] 2013, 26).

The aim of this paper is to describe the two different groups, their similarities and their divergences, with a particular focus on their cultural milieu.

## **FRI2D – Rm. 341      URPE SESSION 1: AUSTERITY, HOUSEHOLD DEBT AND FINANCIAL INSTABILITY**

### **Self-help and the Economics of Austerity**

**Dave Maddy and Clara Mattei**

### **Post Keynesian Views on Household Debt.**

**Joelle Leclaire**

**Structural Change and Financial Instability: a Pasinettian analysis**

**Davide Villani**

**Albion W. Small's neglected progressive views: reducing inequalities for a 'reasonable capitalism'**

**Guillaume Vallet**

**FRI2E – Rm. 214      FRIEDMAN**

**Wrong Lessons from the Great Depression: Milton Friedman, Ben Bernanke, and the US Fed**  
**James Ahiakpor**

Milton Friedman's great ambition in his monetary studies was to contradict the view that "monetary policy is like a string; you can pull on it but you can't push on it," a view that became prevalent following J.M Keynes's (1936) interpretation of the Great Depression. Rather than accepting his teacher's (Henry Simons) interpretation of the Great Depression as reflecting the excessive cash hoarding by the public (hence, decreased saving), Friedman adopted Keynes's broad definition of money that commingles classical (or central bank) money with the public's deposits with banking institutions to derive the "money stock," including M1 and M2. Building upon Carl Warburton's work, Friedman and Schwartz (1963) argue that it was a one-third decline in the stock of money that caused the sharp economic contraction between 1930 and 1933. Friedman (1970, 17) thus argues, "Monetary policy had not been tried and found wanting. It had not been tried.... if Keynes had known the facts about the Great Depression as we now know them, he could not have interpreted that episode as he did."

Ben Bernanke (2002) fully accepted Friedman's indictment of the Fed's "passivity" for the Great Depression. He therefore in 2008 urged the Fed's adoption of massive purchases of securities, under Quantitative Easing 1, 2, and 3. In fact, Friedman drew the wrong lessons from the Great Depression and has imparted the wrong influence on the Fed's recent monetary actions. Classical monetary analysis yields a more consistent interpretation of the Great Depression, conducive to more appropriate monetary policy.

**Friedman's Methodology and the economic realism movement**

**Chris Wass**

Over the last 50 years, one of the most influential figures on the landscape of economic methodology has been Milton Friedman and his essay “The Methodology of Positive Economics” in which he argues that economics should be focused exclusively on the goal of predictive success. One of the consequences of Friedman’s pre-eminence was a general neglect of metaphysical considerations in the economic profession. For many years it was not taken to be a serious question whether or not the phenomena described in economics models actually existed in the world. In the late 80s, a number of writers who were critical of this orthodox view began coalescing around the topic of realism and started a conversation which reopened the topic of the ontological foundations of economics. Although there was considerable internal debate about what kind of realism was most appropriate to economics all parties seemed to agree that predictive success alone was an inadequate horizon.

The first section of my paper will look at Friedman’s paper, how certain aspects of it were interpreted, and the broad uptake that it enjoyed. The second section will consider what the underlying objections were that both motivated and unified much of the early realist literature. I will conclude with some brief comment regarding the current state of the project of economic realism and the continued urgency of the issue.

## **Friedman and the Gold Standard**

**David Glasner**

Milton Friedman discussed the gold standard in a number of works. His two main discussions of the gold standard appear in a 1951 paper on commodity reserve currencies and in a 1961 paper on real and pseudo gold standards. In both papers, he distinguished between a gold standard in which only gold circulated as a medium of exchange and one in which mere fiduciary claims to gold also circulated as media of exchange. In the 1951 paper, he referred to the former as a strict gold standard and the latter as a partial gold standard while in the latter, he referred to the former as a real gold standard and to the latter as a pseudo gold standard. In this paper, I discuss the basis for that distinction, reflecting an analytical error, taken from the nineteenth-century Currency School, about the incentives of banks to overissue convertible claims to base money. I further suggest that while the underlying analysis did not change, the rhetorical shift between the two papers reflected Friedman’s evolving ideological interest in offering an alternative monetary rule that could attract the support of conservative and libertarian supporters of the gold standard.

**Oral History****Till Düppe****Network Analysis****François Claveau****Prosopography****Andrej Svorenčik****Writing History, for example, of Economics****Verena Halmayer**

Most practicing economists today have only a passing interest in the ideas and texts of economists of the 19th century and earlier, and hardly more interest in economists' ideas between 1900 and the modernization of economics in the post WWII system. But as historians have begun to study the ideas and practices of contemporary economists, mainstream "schools" forces attention to new historiographic problems regarding the utilization of sources, choices about method, varied narrative styles, and issues of ethics. Writing the history of contemporary economics changes the character of the subdiscipline of the history of economics itself and heightens economists' awareness of the historian's place, role, and task. This session, in gathering short essays from several historians who have opened up the history of contemporary economics, frames an important set of approaches to constructing histories useful for both economists and historians.

**FRI3B – Rm. 244      IN MEMORIAM: WILLIAM BARBER (1925 – 2016)**

Mauro Boianovsky

Robert Dimand

Bradley Bateman

Steven Medema

Stephen Meardon

**FRI3C – Rm. 213      LIBERALISMS OLD AND NEW**

**Western Economics and "Neoliberalism" in Eastern Europe: Notes on the Evidence Coming from Three Major Collaborative International Projects**

## **Paul D. Aligica**

Despite the multiple possible approaches to the problem of the relationship between economic ideas and social change in Eastern Europe, one approach, built around the concept of “neoliberalism”, has become dominant. We use as a vehicle three major projects that in the last 15 years or so, have explored in a significant way themes and issues related to the broadly defined “neoliberalism” topic. All three were large scale collaborative projects, involving scholars from the region, working in national teams, in conjunction with Western scholars: Three Social Science Disciplines in Central and Eastern Europe (1989-2001) run by Social Science Information Centre, Berlin and Collegium Budapest (2000-2002); The Dioscuri Project, Eastern Enlargement – Western Enlargement. Cultural Encounters in the European Economy run by Institut für die Wissenschaften vom Menschen, Vienna (2002-2007); and The CAPITO Project, Understanding Nascent Capitalism in Eastern Europe run by Central European University Budapest with the support of the Institut für die Wissenschaften vom Menschen, Vienna (2010-2011). These projects, operating each through a consortium of national teams of researchers in twelve Eastern Europe countries (Bulgaria, Czech Republic, Germany, Hungary, Estonia, Latvia, Lithuania, Poland, Romania, Serbia, Slovakia and Slovenia) have been unique in both breadth and depth.

The goal of this paper is double: First to draw attention to these collective efforts and the insights that they may provide for those interested. And second, to draw some comparisons and note some discrepancies between those insights and several theses, positions and interpretations articulated by the dominant “neoliberalism in Eastern Europe” literature.

## **An Acceptance of New Liberalism in Interwar Japan: The Early Years of the Magazine The New Liberalism**

**Shimpei Yamamoto**

In this research, I examine new liberalism in interwar Japan through the magazine, The New Liberalism (Shin Jiyushugi). The idea of new liberalism in Japan occurred in the late 1920s. It was influenced by Britain’s new liberalism, which integrated social policy into classical liberalism.

The New Liberalism was first published in July 1928 by the Association for New Liberalism (Shin Jiyushugi Kyokai) and was published monthly until 1935. In my previous paper I discussed some features of the magazine published after 1931. This research will mainly focus on issues published from 1928 to 1930.

Although new liberalism is an important ideology that gave rise to the welfare states in the post-war period, the characteristics of the new liberalism movement in interwar Japan are not clear even in the field of the history of Japanese economic thought. Few copies of the magazine

exist today and studies of the publication have not yet been conducted. By analyzing the magazine, this research attempts to reveal the distinctive features of new liberalism in Japan and the significance and limitations of the movement. First, I will examine from which intellectuals or ideas Japanese new liberals took their theoretical framework. Second, I will point out the subjects which they discussed in the early issues. Finally, I will compare new liberals with other Japanese liberals of the same period to identify their characteristics.

### **Liberalism in the classical political economy**

**Joao Luiz Machado Paschoal**

In modern economic theory, liberalism is described by such aspects that put it away from the liberalism proposed in the first classical economic theoretical formulations, when this trend saw in politics and philosophy the best way in order to describe the relationship between society and economic behavior. Now it is pictured as a system where it should have the least governmental intervention in the economy, through market deregulation, freedom and a blind belief over the forces of the free Market, whereas classical economic liberalism was described particularly different. Classical liberalism, on the other hand, constitutes itself as a composition of different ways of explaining the world: classical liberalism saw in government and institutions, its first row to achieve economic and social development, regarding the human being as one part of the whole, the society. In classical liberalism, whose basis lies in the rupture of the human reason from the chains of religion philosophy on Europe between the 16th and 17th century, the actor – as the individual – places himself as what he should be: the member of something bigger than himself, that is, the society. Although structuralism were not formulated before the 19th century, it was clear that in the dawn of the liberal thought that a group of moral and ethical characteristics would be the values, which would support the rules of formal and informal institutions.

### **Nicholas Kaldor's Policies and Social Views through Theories and Policies Compared with those of Liberal Economists such as Friedman, Robbins, and Viner**

**Yuichi Kimura**

This study sheds new light on Nicholas Kaldor's policies and social views by revealing the features and changes of his model, analyzing his contributions to economic policies, and contrasting his policies with those of liberal economists such as Friedman, Robbins, and Viner. First, we describe the background to Kaldor's economic vision, which led to the creation of his model, including the following: (1) as a primary consideration, the disparity in income between capitalists and workers and the distribution of profits and wages; (2) long-term economic growth is due to endogenously produced creative destruction and the innovation of

entrepreneurs; and (3) appropriate government intervention is required to correct disparities in income and to expand endogenous economic growth through technological innovation. Second, we analyze Kaldor's ideas using the following five points: (1) his roles as economic advisor and tax specialist to the Labour Party; (2) his time spent as a development economist; (3) his opposition to the United Kingdom's entry into the European Community; (4) his dissent against Monetarism; and (5) his criticism of Thatcher's economic policies. From the above, we conclude that Kaldor dealt with real problems and filled the gap between economic theory and reality and, thus, should control the "dynamic and unstable capitalism" by intelligence and reason. His "radical" economic ideas are evidenced by his defense of the labor class in the U.K. Furthermore, he believed in the fall of the wealthy class, which is similar to Keynes' thoughts on the euthanasia of the rentier.

### FRI3D – Rm. 341      EARLY TRADE THEORY

#### **Mercantilism: a materialist approach**

**Thomas Victor Conti**

Historians have shown renewed interest in mercantilism over the last couple of years. From this interest has arisen a dispute over mercantilism's incoherence as a doctrine of economic thought. This article objective is to provide a materialist explanation for the varying degrees of belief in shared mercantilist assumptions. My hypothesis is mercantilism can be understood as a set of shared rules of behaviour and thought aimed at providing pragmatic answers when and where economic and security factors are materially entwined. The article analyses this hypothesis briefly exploring how mercantilism's credibility in space and time relates with changes in important economic-security material conditions from the 16th to late 19th century.

#### **Steuart, Smith, and the 'System of Commerce': International Trade and Monetary Theory in Late-18<sup>th</sup> Century British Political Economy**

**Mauricio Coutinho and Carlos Suprinyak**

Though contemporaries, Adam Smith and Sir James Steuart are commonly portrayed as men belonging to different eras. Whereas Smith went down in history both as founder of Classical Political Economy and patron of economic liberalism, Steuart became known as the last, outdated advocate of mercantilist policies in Britain. Smith himself was responsible for popularizing the notion of the 'system of commerce' as an approach to political economy that dominated British thought during the early modern period. As it evolved into a historiographical

concept, the mercantile system came to be seen as an international trade theory grounded upon the fallacious doctrine of the favorable balance of trade. In the *Wealth of Nations*, however, Smith puts limited emphasis on international trade as a theoretical concern. His analysis of the subject, moreover, was marred by lack of analytical clarity, which caused him to be chastised by some among his followers who adhered more enthusiastically to the free trade cause. Given Smith's doubtful credentials as a free trade theorist, in this paper we try to analyze the reasons that led him and Steuart to be historically placed on opposite sides of the mercantilist divide. To do so, we analyze the works of both authors in depth, showing that their differences concerning economic policy have chiefly to do with (1) the role of money in the economy and (2) the scope of public regulation of economic activities. Additionally, we explore how early-19th century writers helped forge the intellectual profiles of both Steuart and Smith.

### **Pro-Laissez faire But No Hardliner: Jean-Baptiste Say on Free Trade**

**Guy Numa**

Jean-Baptiste Say is generally portrayed as an unrelenting champion of Laissez faire. In his mind, commercial activity promoted economic well-being. In this essay, I develop a more nuanced approach by showing that Say was no die-hard free trader, however. Three aspects of Say's trade theory have been particularly overlooked. Going beyond Adam Smith's arguments for protective tariffs, Say maintained that government could play a role to protect infant industries. Moreover, Say argued that domestic trade was more valuable than international trade. Finally, his initial criticisms of Britain's protectionism and colonial policies were later followed by praises for the country's commercial reforms, and for settlement colonization in India in the 1820s. In doing so, Say contradicted his initial views which considered trade a powerful conveyor of peace and political emancipation for all nations.

### **Ricardo on international trade: a critique of J.St. Mill's interpretation and reconstruction**

**Michael Gaul**

In his *Essay* as well as his *Principles*, Ricardo systematically distinguished two gains from trade, namely a static gain consisting in an increase of the mass of commodities and a dynamic gain consisting in an increase of the general rate of profits. In this respect, the only new element introduced in the *Principles* and not to be found in the *Essay* is a specification of the conditions for the realisation of the first, static gain: in order for each country to obtain, by specialisation and trade, a greater amount of commodities with a given amount of labor, absolute advantages are not necessary, comparative advantages are sufficient. The question left open by Ricardo is whether the conditions for the realisation of the static gain are identical with the ones for the realisation of the dynamic gain. In addressing this question, this paper



breaks with J. St. Mill's interpretation and reconstruction of Ricardo's trade theory; taking into account the effect of trade in capital goods on the rate of profits requires that J. St. Mill's one-factor model is abandoned in favor of a framework incorporating produced means of production. On this basis, Ricardo's general insight into the existence of two conceptually different gains from trade can be confirmed. However, with respect to the second, dynamic gain, trade is mutually beneficial only if countries specialise according to absolute advantages. The conditions for the realisation of the static gain are therefore not identical with the conditions for the realisation of the dynamic gain.

## FRI3E – Rm. 214      AUSTRIAN ECONOMICS 2

### **Hayek and Three Equilibrium Concepts: Sequential, Temporary, and Rational Expectations** David Glasner

Forty-five years ago, Murray Milgate drew attention to the neglected contribution of F. A. Hayek to the concept of intertemporal equilibrium which had previously been associated primarily with Eric Lindahl and J. R. Hicks. Milgate showed that although Lindahl had developed the concept of intertemporal equilibrium independently, Hayek's original contribution was published before Lindahl's and that, curiously Hicks had credited Lindahl with having developed the concept despite having been Hayek's student and colleague at LSE in the early 1930s. Aside from Milgate's contribution, few subsequent developments of the idea of intertemporal equilibrium have adequately credited Hayek's contribution.

This paper attempts to compare three important subsequent developments of the idea of intertemporal equilibrium with Hayek's 1937 refinement of his original 1928 contribution. In non-chronological order, the three developments of interest are: 1) Radner's model of sequential equilibrium with incomplete markets generalizing the Arrow-Debreu-McKenzie model of full equilibrium with complete markets, 2) Hicks's temporary equilibrium model, and 3) Lucas's rational expectations model. While Hayek's 1937 treatment most closely anticipates Radner's sequential equilibrium model, which Radner, echoing Hayek, describes as an equilibrium of plans, prices, and expectations, Hicks's temporary equilibrium model seems to be a natural development of Hayek's approach, and was regarded as such by Radner. However, Hayek (1941) subsequently criticized Hicks's temporary equilibrium model as a misapplication of his method. Indeed, Bliss has extended the temporary equilibrium concept in a way that actually has some similarities with the approach to monetary theory suggested by Hayek in one of his earliest contributions to business cycle theory. The Lucas rational expectations model, however, seems to develop the concept of intertemporal equilibrium in a way that runs counter to the basic Hayekian insight about the nature of intertemporal equilibrium.

## **The Problem of Austrian Economics for Historians**

**Grant Madsen**

While economic historians have generated good accounts of the leading thinkers of the Austrian school, much less attention has been paid to “hangers-on,” those who did not advance the Austrian economics within the academy but nevertheless, through serendipity of time and place, influenced policymaking and political culture. This paper looks at one such cluster of “hangers-on” who ultimately shaped the fate of post-World War II Europe and (surprisingly) Japan. This group included Adolf Weber (economist brother to Max), Léon Hugo Dupriez (Belgian economist) and Costantino Bresciani Turrone (Italian political economist and banker). While none belonged exactly to the Austrian School, each espoused Austrian ideas which ultimately influenced American military officials running the American Occupation Zone of Germany after the War. In particular, Joseph Dodge, an American Banker and early Finance Director for the occupation, became fascinated by the Austrian views espoused by these men, particularly the way changes in the money supply upset market signals. After his experience in Germany, the U.S. government made Dodge a kind of financial czar in occupied Japan where he went about implementing many of the ideas espoused by Austrians, enforcing strict reforms of the government’s budget and credit structure in order to halt inflation and restore the natural functions of the market. This paper thus highlights an often forgotten episode of economic history while raising the theoretical question of how to assess the impact of the Austrian school in the twentieth century beyond the “usual suspects.”

## **Hayek's Early Studies of Past Monetary Theories: The Intriguing Attitude to Henry Thornton**

**Arie Arnon**

After Hayek's visit to New York in 1924-25 and before he left in 1931 for London, Hayek was planning to write a book on the history of monetary theory for which he had a contract. By 1929 he prepared four chapters written in German, that were not published for many years; only in 1991 these chapters were translated to English and printed as Chapters 9-12 in *The Trend of Economic Thinking*, volume 3 of Hayek’s *Collected Works*. The studies reflect Hayek’s profound scholarship and clearly turned him, at his early age, into an authority on the history of economic thought, especially, the history of British monetary theories.

The most compelling theoretician who emerged from Hayek studies, the one who had apparently attracted him most, was Henry Thornton. In 1939 Hayek edited and wrote a famous Introduction, to *Paper Credit*. Hayek’s appreciation of Thornton presents an intriguing puzzle for historians of monetary thought: Thornton was an early advocate of monetary policy and considered a pioneer of central banking, while Hayek, especially in his 1970s conceptualization,

tended to "free banking", i.e. hands off monetary affairs. In the paper we will suggest several possible explanations to the puzzle.

## SAT1A – Rm. 211 ISSUES IN DEVELOPMENT

### **Raúl Prebisch and the Surplus Approach: Connection and Implications for Development Economics**

**Natalia Bracarense**

Prior to Thomas Piketty (2014) Capital in the Twenty-First Century distribution was of secondary importance in our discipline. Most economists advocate some version of the marginal productivity theory of distribution, implying that distribution is endogenously determined by the technical relations of production. Such determination left little space to discuss alternative distribution theories and policies. For some economists, however, Piketty's concern that the market system allows for several distributive outcomes, some more inequitable than others, causes no surprise. Attention to distributive issues can, in fact, be traced back to the classical conception of a circular flow of income à la Adam Smith, David Ricardo, and John Stuart Mill. From this perspective, economics studies the extent of the surplus and its distribution, implying that there are always resources leftover after society guarantees its material production and reproduction. The distribution of the surplus is underdetermined unless non-economic factors are considered. In other words distribution is determined exogenously. The surplus approach was revived in the 20th century, when Cambridge economists showed that the marginal productivity theory is inconsistent with a two-or-more-commodity world and advocated the conservation of the classical circular flow.

The current paper discusses two ways the Cambridge controversies relate to development economics. And analyzes how, if at all, the debates in the 1960s and their implications for distribution theory impacted Prebisch's self-proclaimed shift from a marginal productivity perspective toward the surplus approach.

### **Prebisch's turning point in his theoretical framework: the key role of the Great Depression in Argentina**

**Adriana Calcagno**

Raúl Prebisch (1901-1986) is known for his theoretical contributions such as the tendency to deterioration of the terms of trade for the primary commodities, and his policy recommendations to promote industrialization through a planned development strategy led by the State. However, until the early 1930s Prebisch was an advocate of monetary austerity, and

adhered to the quantity theory of money. He pledged for as little State intervention in the economy as possible.

This paper studies the period from 1929 to 1935, before Prebisch became the first General Manager of the Central Bank of Argentina (1935-1943). It investigates how the 1929 crisis in Argentina affected Prebisch's economic thinking and particularly his ideas on the monetary policies needed for exiting the crisis, leading him to a theoretical change.

We will analyse Prebisch's initial quantitative monetary approach to address the Great Crisis, which mainly consisted on focusing on monetary stability as the primary policy goal during the depression, based on the belief that only market mechanisms could guarantee an efficient economic recovery. However, these monetary measures proved to be inefficient, and the deterioration of the terms of trade and imported inflation revealed Argentina's structural external vulnerability. Thus, alongside the evolutions in dominant economic theories, Prebisch's views gradually changed. We show that from 1931 onwards, he considered that monetary policies fostered by the creation of a Central Bank should address the problem of increasing unemployment, liquidations and bankruptcies in the short run and encourage long-term economic development through credit and exchange policies.

### **Political Economy and Possibilism: Towards an Open Notion of Development**

**Andres M. Guiot-Isaac**

Hirschman was both a pioneer and a dissenter of development economics. He shares with early development theorists the virtues and misfortunes of having spearheaded the efforts to modernize the so-called underdeveloped world, but his late concern with the politics of development gave new life to his early insights. However, his political economy of development should not be seen exclusively through an epistemological and methodological lens. It is the counterpart of his possibilism, a claim about modernity and the possibility of change in this context. This article follows the road from Hirschman's political economy to his possibilism in the search for an open notion of development.

### **Sun Yat-sen's legacy: the neglected Chinese origins of international development banks**

**Eric Helleiner**

Although the Bretton Woods negotiations of the early 1940s are usually seen as pioneering the idea of international development banks, Sun Yat-sen proposed an International Development Organization much earlier in 1918. The origins of Sun's innovative proposal have not received much attention from historians of economic thought. This paper seeks to fill this gap by showing that the proposal emerged from a combination of three key aspects of Sun's thinking: 1) his longstanding interest in economic development dating back to the early 1890s,

2) his recognition in the early 1900s of the potentially positive sum nature of international investment flows, and 3) his hope for a "Great Harmony Age" at the end of World War One.

The paper shows how these aspects of Sun's thought drew on a unique combination of Western and Chinese ideas, reflecting Sun's own life as a "boundary crosser" between the West and China. The paper also demonstrates how Sun's 1918 proposal played a role in building support for the IBRD's creation over twenty-five years later at Bretton Woods. The paper concludes by highlighting this significance of this history in an age when China is playing a leading role in the establishment of new international development banks.

## SAT1B – Rm. 248      THE PUBLIC FINANCES

### **Political Economy in Portuguese Parliamentary Debates in the First Half of the 19<sup>th</sup> Century** **Natalia Tammone**

This article starts from the hypothesis that through the parliamentary debates of Portugal it is possible to understand the political dynamics and the economic solutions proposed for the solution of the economic problems in which the country was in the first half of the nineteenth century. This article aims to clarify how parliamentarians based their proposals on ideas from the Political Economy, used as an argument from authority to endorse various proposals for reorganization of the country. Although these allusions are not always based on theoretical arguments or on the careful use of concepts of economic science, this rhetorical tool strengthens the argument of these political actors. Parliamentary debates were used as a source to show the multiplicity of discourses available on political economy, the role it played in the speech and discourse of economic recovery in Portugal, as well as the policies and proposals of these discourses. In this way, parliamentary discourses are used as a privileged source for the apprehension of economic thought in Portugal, its relations with the Political Economy and with the economic theories in vogue, besides pointing to its applicability in the practical reality of the Portuguese Empire.

### **Adolph Wagner's economic thought in Brazil: money and public finance in the turn of the 20th century**

**Luiz Felipe Bruzzi Curi**

Adolph Wagner (1835-1917) was a German economist whose ideas were influential, in Germany and internationally, from the 1870s until World War I. Accordingly, the historiography of economic thought has investigated the international diffusion of his thought, particularly in Europe and in the United States. Not much is known, however, about the reception of his ideas

in other contexts, such as Brazil. In this paper, I intend to fill this gap by showing how Wagner's ideas were assimilated by Brazilian thinkers of the turn of the 20th century.

His most famous theoretical tenet – the law of increasing state spending or simply 'Wagner's law' – was rooted in the German tradition of public finance theory (*Finanzwissenschaft*). These ideas related to public finance were assimilated in Brazil, and so was his monetary thinking, inspired by Thomas Tooke and the British Banking School.

The two recipients highlighted in this paper are Rui Barbosa (1849-1923), the first Finance Minister of the Brazilian Republic, and Luiz Rafael Vieira Souto (1849-1922), an engineer and professor of political economy in Rio de Janeiro. The selection of arguments and the way these policymakers incorporated Wagner's ideas into their own texts reveals the kind of economic discourse they were shaping in Brazil, as well as the different possible functions that Wagner's ideas could perform, as they were transplanted to another national context.

### **100% money: clarifying the concept**

#### **Samuel Demeulemeester**

The 100% money idea has aroused a renewed interest recently (e.g. in Benes and Kumhof, 2012), as a way to stabilize the economy, reduce the public debt, and enhance aggregate demand. This proposal was first widely discussed as a reaction to the great monetary contraction of the 1930s. Authors like those of the Chicago Plan (Simons et al., 1933), Currie (1934), or Fisher (1935), viewed the link between the extension of bank loans and the provision of means of payment as the root cause of the problem. They thus called for a 100% reserve requirement behind checking deposits, and a monopoly of money creation by the state. This idea was later advocated by Allais (from 1947), Friedman (from 1948), Tobin (1985) or Minsky (1994). The history of these reform plans has been well documented in articles by Allen (1993), Dimand (1993), Laina (2015), or in a book by Phillips (1995). The concept of 100% money, however, has long given rise to misconceptions in the literature, and the lack of a precise exposition of its specifics has been reproached to Phillips by Schiming (1996). This reform, sometimes misleadingly called "full-reserve banking", is often viewed as correlated, if not assimilated, to other proposals, that may be combined to it – such as turning banks into investment trusts, forbidding maturity transformation, or restraining bank lending to safe assets. The Fisher Plan and the Chicago Plan are also frequently confused, despite their essential differences. Hence the aim of this paper: clarifying the 100% money concept.

### **From Land Bank Theory to True Bill Doctrine: Construction of James Steuart's Theory on Credit Money**

#### **Yutaka Furuya**

It is deservedly recognized that in his *An Inquiry into the Principles of Political Economy*, James Steuart advanced a monetary theory in which credit money played an important role. This paper attempts to show that the role that credit money played in Steuart's economic theory expanded as his theory on banks drastically changed from his first draft of the book to his final draft of the book.

The first draft of the latter half of the *Principles of Political Economy*, which was written in 1764, was based on the theory that banks should issue notes on landed securities. The successful establishment of Scottish banknote circulation and theoretical influences from his fellow countrymen such as John Law can be pointed out as backgrounds for this theory. However, before his final draft of the *Principles of Political Economy* was sent to Andrew Millar, the publisher, presumably at the end of October in 1766, Steuart withdrew his opinion that the issuance of banknotes must be restricted to credits upon landed security. Specifically, he reconstructed his theory on the basis of the assertion that: (1) banks should limit the issuance of notes to landed security in countries where credit was still in infancy; and (2) as economies and credit grew, banks should issue notes not only on the basis of landed securities but also by discounting bills and giving public credit. By this reconstruction, Steuart established an ingenious evolutionary theory on credit money which is different either from his predecessors or contemporaries.

## **SAT1C – Rm. 213      ST. SIMON AND HIS FOLLOWERS: AN ECONOMIC VIEW TOWARDS A SOCIAL THEORY**

### **Pareto and Saint-Simonian Socialism**

**Alexandra Hyard**

It was in his lecture given to the University of Lausanne, entitled “*Les systèmes socialistes*” (1902-1903), that Pareto dealt with the ideas of Saint-Simon and his followers. For him, they were only socialists because they wished to reorganize society. But, Pareto considered them as theoretic reformers, with a weak ability to innovate, and not as scientists. The purpose of this paper will be to highlight Pareto's views on Saint-Simon and his followers and particularly the harshness of his judgment. We will ask if Pareto's criticisms against Saint-Simonianism are linked with his idea that maximum of well-being must result from scientific researches on pure economics and not from an ideal of justice.

**“Lessons from the New World”: Michel Chevalier and the U.S. Banking System in the 1830s  
Ludovic Desmedt**

Trained in saint simonian circles, Michel Chevalier travelled in the United States during two years (1833-1835), mostly in New England, but also around the Great Lakes and the South. He then published his *Lettres sur l'Amérique du Nord* which had the main goal to analyse communication routes and techniques. But Chevalier enlarged his initial project and described the U.S. society, its political life, its manufactures... for french readers. Fortunately (or not), Chevalier arrived in United States just when Andrew Jackson was developing his campaign against the second Bank of the United States (in january 1834, Chevalier called it a « war (against a) great institution »). Hence, the engineer was particularly committed to the analysis of the banking system's management: this question is at the center of his reasoning.

In the first part of the paper, we will present the principal features of saint simonian ideas about finance, and the emphasis placed on the networks (according to Saint Simon, the banks would generate « a unitary and directing bank dominating them all »). We will then describe the circumstances of the american battle against the « Mammoth bank ». In the third part, we will explain the reasons why, according to Chevalier, the payment system « cannot function without a central bank ».

### **Saint-Simonianism on money and the French banking system**

**Nicolas Barbaroux and Adrien Lutz**

The Saint-Simonians are well known for their proper vision, not to say philosophical idealistic definition, on society at large. In this construction, the banking and monetary system play an important role owing to its fundamental role in the establishment of trust within society. The two Pereire's brothers, Emile and Isaac, are well-known for their involvement in the French industrial take-on during the Second Empire mainly by way of the special purpose bank they created, i.e Société Générale de Credit Mobilier, in 1852. By so doing, it is crystal clear that banks are at the origin of the (credit) boosting economy. Before the Pereire', other St Simonians thinkers, mostly business men and engineers, published in the first Saint-Simonian journals *Le Globe* and *Le Producteur* (1825–1831) on banking and monetary issues.

The article focuses on the contributions driven by a few St Simonian authors (Enfantin and Dubochet) on the monetary and banking issues. Our aim is twofold: first we will see to what extent a proper and unified monetary and banking theory was at stake, and if so, what proper role play money and banks in the economics' circuit.

The article will be structured as follows: section 2 provides a short overview on monetary theory at that time. Section 3 will be the core of this article by shedding light on the monetary and banking ideas developed respectively by Enfantin and Dubochet. More precisely, we aim to emphasize on the very roots of their (unknown) monetary and banking propositions such as published in "*Le Producteur*". This will enable us to open the following question: to



what extent can we talk on a proper monetary “theory” among the Saint-Simonians. Section 4 concludes.

## SAT1D – Rm. 341 MARGINALISM

### **Homo aleas: the economic agent from Walras to Edgeworth**

**Thomas Mueller**

Walras’s economic agent has been famously described by Poincaré as infinitely selfish and rational (Jaffe 1977) ; while this is more a caricature than a faithful description of the Walrasian agent, Poincaré raises a just point. The Walrasian agent was not supposed to be a realistic description of human behavior. It was at best a first approximation of it.

Poincaré doubts on this approximation were not isolated : Walras had to face criticisms of his model of the economic agent and more generally of the deterministic description of economic laws that he pruned (Author 2016).

A less famous but interesting attempt to understand the walrasian agent was due to a French scholar, Gustave Fauveau. Fauveau interpreted the walrasian agent through the queteletian idea of the « homme moyen » in an attempt to avoid the main criticisms but nonetheless save the model (Fauveau 1882), a line that will be pursued by the French philosopher Renouvier.

When Edgeworth considers the same question of the compatibility between the representative agent and the question of free will, he will nonetheless reject Renouvier’s views.

We will compare Edgeworth and Walras/Fauveau interpretations of the economic agent and their « realism ». We will link those different interpretations to the bottom-up reductionist view of Edgeworth compared to the holistic views of Walras. We will discuss the connection between those contrasting visions of the economic agent and their link with the theoretical views of their authors.

### **Reading Mathematical Psychics in a Racial Developmental Context**

**David Levy and Sandra J Peart**

Any discussion of the long history of racial issues in economics needs to confront the colonial question. There is a subtle endogeneity in racial views in only reading the classics, Modern economists select their predecessors by developing certain lines of argument; we would hardly develop lines we find to be at root abhorrent. One corrective measure to this endogeneity is to select the texts using a criterion that is independent of racial and cultural issues. In the 19th century such a selection mechanism would include those texts published by

members of the Political Economy Club. J. S. Mill's persistent critic and the co-founder of eugenics, W. R. Greg, chose the occasion of the Eyre Controversy to compose an essay in a 1866 issue of Fraser's —the periodical that in 1849 published Carlyle's "Occasional Discourse on the Negro Question"— on the issue of race and economic development. In 1867 Greg was elected to the Political Economy Club. In this context we consider the importance of the exit option offered by F. Y. Edgeworth in his account of trade across individuals of different races in *Mathematical Psychics*. If Friday does not find Robinson's offer of wages for his labor sufficiently generous, he simply finds some land and works for himself. If we do not know the Carlyle-Greg view on race and development, we do not understand why the self-directed option Edgeworth laid out is so remarkable.

### **The Law of Distribution Reconsidered: Wicksteed's completion of Jevons Goncalo Fonseca**

Philip H. Wicksteed's 1894 Essay expounding the marginal productivity theory of distribution is hailed as one of the outstanding contributions of the "second generation" of the Marginalist Revolution. However, its linkage to the "first generation" is usually overlooked. While Wicksteed is widely considered a disciple of Jevons, the connection between their theories is still poorly understood. This is in large part because W.S. Jevons's own theory, contained in the final chapters of his 1871 *Theory of Political Economy*, is a bit of a mess. In this paper, we decipher and analytically reconstruct Jevons's theory of production and distribution, and show exactly how Jevons sought but failed to construct the marginal productivity theory. We show how Wicksteed corrected the mistakes Jevons made and brought the Jevonian revolution to its conclusion.

### **Edgeworth's formalization of parametric external economies as a germ of a game theoretic view: What was the hard core of the British Marginal Revolution? Satoko Nakano**

While Marshall introduced the concept, 'external economy', it is said that Chipman(1970) formalized 'parametric external economies' in order to reconcile the maximization behavior of individual firms with increasing return to scale of the economy. Chipman's idea promoted the next stage of the development, the endogenous growth theory through Romer (1986) and in this, a new type of capital, knowledge or human capital, have been focused in the driving forces of economic growth. But who is the true originator of this development and how can we appraise the development in the history of economics?

Though Chipman indicated that his parametric idea is originated from Edgeworth, and H. Cunyngame, their contributions are scarcely known and appraised in the history of

economic theory. This paper tries to show that the parametric formulation is intrinsically of Edgeworth and that his aim is not only showing how the individual's maximization behavior can be consistent with the external economy under the competitive system but also trying to suggest the more general framework where individuals are partly conscious of the other's consumption and production behavior as seen in the modern game theoretic models. In this formulation, Edgeworth tried to base the micro theory on a kind of strategic interactive system and to suggest that the structure of the system should not be arbitrarily determined by analyst's preference but should be positively searched by using statistical data.

There is an important message in this on the methodological and theoretical hard core of the British Marginal Revolution. Marshall's external economy and Edgeworth's parameter idea have been, in their understanding, synthesized in a broader approach toward market interactions, differing from the general equilibrium type of approach. They have assumed the economic structure where the productivity of the economy, therefore, economic gains, marginalized by the frontier of enveloping structure, is cooperatively or conflictively determined through individual economic actions. They targeted micro behavior within a strategy interactive system.

## **SAT1E – Rm. 214      **NORMATIVITY AND LEGITIMACY IN 20<sup>TH</sup> CENTURY CENTRAL EUROPEAN LIBERAL ECONOMIC THOUGHT****

### **The Importance of the Framework: The Transformation in Central-European Economic Thought in the 1930's and 1940's**

**Erwin Dekker**

This paper studies the transformation in the work of a group of prominent Central-European social scientists, mostly economists, during the late 1930's and 1940's. In this period they started to incorporate moral and political aspect into their work, feeling that social science could not be practiced without them. These moral, political and legal frameworks, which had been consciously excluded before, or taken for granted, now became the central focus of their work. This transformation is contextualized in the Central-European context of the 1930's and 1940's.

### **Methodological Battles Since World War II: How German Liberal Thought Forgot Legitimacy** **Ekkehard A. Köhler**

Dani Rodrik (2015) cautions that economists' statements often contain hidden value judgments. The problem of ideological bias is particularly relevant when economists are called

upon to evaluate public policies. The difficulty of using positive economic analysis for practical purposes while maintaining its scientific rigor will, in the following, be illustrated by the example of German ordoliberalism. Adherents to this school of thought have sometimes been criticized for lacking a clear commitment to the fact that the goals of economic policy are decided upon by the political process rather than the enlightened members of the economic profession. This paper recounts this debate from the late 1980s to the present day and adds comments on the future viability of the ordoliberal research program.

### **The Metaphysical Origins of Order: Franz Böhm and the Concept of Natural Law**

**Daniel Nientiedt**

According to the neoliberal Freiburg School of the 1930s and 1940s, the organization of economy and society should be based upon the principles of fair competition and equality before the law. Franz Böhm, one of the school's founders, argued that by implementing these principles, natural laws would be elevated to the level of public law. This paper asks whether this means that the policy prescriptions of the Freiburg School derive their legitimation not from political approval, but from their (supposed) conformity with the laws of nature.

### **The Weber-Wieser Connection: Early Economic Sociology as an Interpretative Skeleton Key**

**Stefan Kolev**

This paper explores the personal and intellectual relationship between Max Weber and Friedrich von Wieser. The goal is twofold: first, the link between Weber's Heidelberg and Wieser's Vienna provides important insights for the conceptual development of the Weberian project of economic sociology and of the early economics of the Austrian School. Second, the link enables new interpretations of the later evolution in the German-language discourses on political economy, especially those between representatives of ordoliberalism and later generations of the Austrian School.

## **SAT1F – Rm. 212      CONSUMERS, MARKETS AND EXTERNALITIES**

### **State, Nation, and Cosmopolitanism: From Mercantilism to Adam Smith**

**Hiroyuki Furuya**

The word 'cosmopolitan,' which derives from the Greek word *kosmopolitês* ('citizen of the world'), has been used to describe an idea that all human beings are, or can and should be, citizens in a single community. Such a community was envisioned during the Age of

Enlightenment, as commerce and foreign trade expanded, empires based on mercantilist interests extended across the globe, and voyages around the world made way for encounters with other cultures. Enlightenment thinkers like Adam Smith and others have been interpreted in terms of an economic form of cosmopolitan thought. Smith has been regarded as an eighteenth-century anti-mercantilist who advocated freer trade, because the free market, in which tariffs and other restrictions on foreign trade are abolished, is more advantageous for everyone, as a nation can freely import those goods that are more expensive to produce domestically. It has been assumed that Smith's cosmopolitan ideal was that the free market, not the government, takes care of the needs of the people. This paper examines cosmopolitan perspectives in mercantilists and Smith, and argues that the economic literature of the time portrayed cosmopolitanism as a far more complex idea than is usually assumed. Enlightenment economic thought was first and foremost an economic and political analysis of 'nations,' and many eighteenth-century economic thinkers, drawing on the Stoic tradition, did not regard the positive moral ideal of a cosmopolitan human community as inimical to more particular attachments such as patriotism.

### **Classical Economic Theory Explained: How an Economist in 1935 Understood the Operation of a Market Economy**

**Steven Kates**

The General Theory was an attack on "classical economic theory" but what that classical economics actually consisted of is virtually unknown. There is a straw-man caricature most economists absorb through various forms of academic osmosis but which is never specifically taught, not even as part of a course in the history of economics. The paper outlines the crucial features that differentiate modern macroeconomics from classical theory, with the emphasis on what an economist would have understood about the operation of a market economy just as The General Theory was being published. Based on the differences outlined, a model of classical economic theory is presented which explains how pre-Keynesian economists understood the operation of the economy, the causes of recession and why a public-spending stimulus was universally rejected by mainstream economists before 1936.

### **Market Inalienability and Externalities: Issues in Philosophy, Law and Economics**

**Elodie Bertrand**

In the history of economic thought, the term "externality" was invented to denote a "thing" that is outside of the market, by definition, and the question rapidly became: do these things or effects can be transacted? But economic theory, law, anthropology and philosophy have also a long history on the question of what can be transacted, or not.

This communication aims at providing a recent historical analysis of the links between two concepts: market inalienability (which precludes the sale but not the gift of certain goods, Radin 1996) and externalities. In the history of philosophy, law and economics, these two concepts have interrelated in several ways.

On the one hand, the argument in favour of the commodification of externalities to increase welfare (Coase 1960 and Arrow 1969) faced the same criticisms as “repugnant markets” (Roth 2007 terminology): trades of pollution permits or of his own child’s health would undermine human dignity and social justice (e.g. Mishan 1971).

On the other hand, the discourse against the commodification of certain things (body parts for example) uses an argument that boils down to an externality: the mere existence of such sales would affect other people directly (who care about dignity or who are injured by addicted drivers) (Roth 2007) or affect what they are (Simmel 1900, and the interpretation of classical political economy by Satz 2010).

Market inalienability is thus proposed as a solution to protect against some externalities (Calabresi and Melamed 1972, Arrow 1972, Epstein 1985), while commodification is also proposed to solve them. The limits of the commodification of externalities would thus depend on technical factors (transaction costs with Calabresi and Melamed) as well as social and moral factors (Ellickson 1991).

This communication therefore contributes to a history of recent thought on why some externalities remain or should remain outside of the market.

## **SAT2A – Rm. 211      NATURAL LAW AND THE ORIGINS OF GOVERNMENT**

### **The Natural Law Tradition of Grotius, Pufendorf, Carmichael, and Hutcheson Revisited Joseph Weglarz**

The paper will examine the works of Hugo Grotius, Samuel Pufendorf, Gershom Carmichael, and Frances Hutcheson in the history of economic thought, providing an extremely valuable link to the late Scholastic tradition of natural law and its effect on economic policies of the day. Using the late Scholastic tradition as backdrop, the paper will examine "De jure belli et pacis" and "Mare liberum" of H. Grotius, "De officio hominis et civis justa legem naturalem" of S. Pufendorf, "Supplements and Observations" of G. Carmichael, and "A Short Introduction to Moral Philosophy" by F. Hutcheson.

### **David Hume on the origin of government: two kinds of natural history Ecem Okan**

This paper proposes a reading of Hume's account of the origin of government and allegiance by emphasizing his use of two distinct analytical frameworks. Mainly in the *Treatise* and partly in the *Essays* and the second *Enquiry*, Hume seems to oscillate between a natural history of government based on ideas and a natural history of government based on empirical history. The former provides a theoretical and general framework within which the human mind naturally and necessarily gives birth to the foundation of government. On the other hand, the latter establishes a practical framework through which Hume accounts for the actual origins of government and allegiance. These two approaches are in no way contradictory: both aims to challenge his opponents. Like all his writings on contemporary politics, his philosophical politics also objects to the Tory and especially to the Whig account of political obedience and its theoretical foundation in the contract theory of government. While his theoretical approach faces the latter, the historical one offers a more realistic explanation of the sources of allegiance. In this way, Hume builds his contentions about the actual world on his philosophy. This paper will not only permit to show Hume's capacity to use different historical frameworks in order to fulfill his objectives but also to question Hume's alleged substantial change over time.

SAT2B – Rm. 248      CHICAGO

**Armen Alchian: Promoting Chicago Price Theory or Developing UCLA Economics?  
Jean-Baptiste Fleury and Alain Marciano**

Among the important economists of the 20th century, some have received a lot of attention and others less. This is the case, we believe, of Armen Alchian (1914-2013). This paper aims at contextualizing Alchian's economics, from the early 1950s to the mid-1970s. A significant portion of the secondary literature addressing his work generally focuses on his contributions as a form of Chicago price theory. Indeed, Alchian's connections to Chicago were important. He supported a methodological view which, ever since his 1950 paper on evolution, was seen as a complement to Milton Friedman's defense of "as if" methodology and analytical relevance of the framework of competitive markets. In the 1960s, his textbook *University Economics*, co-authored with William R. Allen, also disseminated the style of thought that was developed initially at Chicago. Finally, he is considered as a proponent of neoliberalism, although he was certainly less vocal than Friedman. Alchian worked at UCLA throughout most of his career, a place which was also considered by a number of commentators, from Friedman to Samuelson, as a friendly place to the promoters of free markets.

Yet, he never joined Chicago. He was considered a leading scholar and teacher at the department of economics at UCLA, which, to a number of commenters (i.e. Axel Leijonhufvud),

promoted a different vision of economics. His name is notably associated with the development of the theory of property rights and the economics of the firm, topics that were not central to Chicago's thinking of competitive markets. Thus, Alchian's role in the development of economics still appears ambiguous. He alternatively stands as an archetype of the Chicago economist and, alongside others like Coase or Demsetz, as an outsider to the Chicago tradition. But, contrary to, say, James Buchanan, who is associated with a well identified tradition of thinking, Virginia political economy, the UCLA tradition to which Alchian may be associated is not clearly characterized by historians of thought. One should finally add that Alchian was also involved with the Rand Corporation, and developed analyses of concrete military problems.

The aim of our paper, therefore, is precisely to study the following questions: Did Alchian simply promote Chicago economics in California? To what extent did he contribute to establish a different tradition at UCLA? This will also lead us to discuss the nature of economics at UCLA.

### **A General Assessment of the Chicago School in the Development of Economic Thought** **Ferhat Pehlivanoglu and Sema Yilmaz Genç**

"If you put the federal government in charge of the Sahara Desert, in five years there'd be a shortage of sand." -- Milton Friedman

This article mentions about how Chicago School occurred and the economists related to this school, especially Milton Friedman who was inspired by Irving Fisher and Marshall. and Friedman's own "Permanent Income Hypothesis." Chicago School has led to intense criticism against Keynesian movement which has taken effect after the 1930s. Because there were insufficient solution of Keynesian movement against stagflation which has occurred in 1970s.

## **SAT2C – Rm. 213      NEOCLASSICAL SYNTHESIS**

### **Walking a tightrope: the neoclassical synthesis in action** **Muriel Dal Pont Legrand, Michael Assous, and Sonia Mansieri**

This paper explores Samuelson's notion of the neoclassical synthesis. With the works of Robert Solow, James Meade, Trevor Swan and James Tobin, Samuelson (1963) claimed the synthesis designated the outcome of a process by which short-run Keynesian and long-run neoclassical analyses were made compatible. In a nutshell, as long as the economy was supposed to be managed on a Keynesian-basis, the neoclassical growth model was seen as an appropriate tool to analyze and sustain full-employment growth. In addition, with the



publication of Solow 1957 paper, the neoclassical synthesis meant a particular way to empirically deal with the long-run impact of technical progress.

In the early 1960s, economists from both Cambridges tried hard to revisit the conditions likely to guarantee the stability of long-run paths. Rejecting the neoclassical growth model, Nicholas Kaldor, Joan Robinson and Luigi Pasinetti called for a new treatment of income distribution and dynamics. Meanwhile, Solow, Franck Hahn and Amartya Sen strove to craft models integrating expectations and investment decisions. Within a few years, neoclassical synthesis was then twice jeopardized. From outside, “Kaldorism” offered a new way to connect short-run and long-run analyses. From inside, attempts to build new investment functions proved the fragility of the neoclassical synthesis foundations.

The paper is organized in four sections. The second section clarifies the content of Samuelson’s synthesis. It is argued that this notion had a specific content, especially in terms of economic stability. The third section, based on new archives materials, provides evidences that Samuelson considered “Kaldorism” (including the so-called Neo-Keynesian growth ) as potentially destructive for the synthesis. The bottom line was that “Kaldorism”, by resorting to the idea that changes in income distribution were likely to stabilize full employment growth paths, drastically reduces the case for Keynesian government interventions.

External criticism was nevertheless not the only front that supporters of the synthesis had to fight for. The fourth section concentrates on Neo-classical growth and on its internal critics. From 1960, Sen showed that as long as short-run stability is not achieved (when short-run Harrodian instability holds), the neoclassical model of growth became unstable and this regardless factors substitutability. More precisely, once perfect foresight hypothesis is abandoned in Solow’s framework, it was shown that there was no more guarantee that the level of investment would permanently equal the level of full-employment savings, an element which “seriously restrict[ed] the validity of the Solow-Swan method of avoiding Harrod’s “knife-edge” of equilibrium” (Sen 1960, fn. 18). Finally, some concluding remarks about the (unexpected) rather narrow interpretation which needs to be associated with Samuelson’s synthesis in order to provide sound foundations to the whole edifice i.e. to make consistent the articulation between short-run and long-run analyses are drawn.

By means of unedited correspondence and unpublished manuscripts recently discovered in Duke and Cambridge (UK) Universities, the paper mainly focuses on major arguments raised by Hahn, Kaldor, Samuelson, Sen and Solow.

### **Abba Lerner on the savings-investment identity**

**Florenca Sember**

In the years following the publication of Keynes’ General Theory of Employment, Interest and Money, Abba Lerner got involved in many discussions about different aspects of

Keynesian theory. One of these was the savings-investment identity. Even if this could seem a narrow subject, in these discussions Lerner touched an astounding variety of topics that would be essential in his subsequent writings.

Lerner tried first to explain why the  $S = I$  identity appeared paradoxical: while each individual is free to save more or less than he invests, aggregate savings must equal investment. To think that what is true for the individual must be true for the whole economy was a fallacy of composition. The problem of aggregation would also be addressed in Lerner's writings about the difference between microeconomics and macroeconomics.

But aggregation was not the only difficulty faced in the understanding of this apparent paradox. Lerner dealt with a diversity of issues such as the confusion between stocks and flows, the inadequacy of the idea of forced saving, the irrelevancy of the concept of velocity of circulation and the utilization of ex ante and ex post analysis.

Lerner's discussion on the savings-investment identity also sheds light on his interpretation of the Keynesian multiplier and his skepticism about the usefulness of the period analysis proposed by Robertson.

Lastly, Lerner stressed the fact that  $S = I$  was an analytical proposition and not about the real world did not make it useless: even it did not add new information, it led economists to see some implications previously overlooked.

## SAT2D – Rm. 341      BEHAVIOURAL ECONOMICS

### **Behavioral Economics and the positive-normative distinction: Sunstein's *Choosing Not To Choose* and behavioral economics imperialism**

**John B. Davis, Marquette University**

### **A Kuhnian narrative in economics? The role of anomalies and outsiders in the emergence of behavioral economics**

**Alexandre Truc**

Thaler wish "To create a real paradigm shift" (Thaler, 2015, p.411) based on his reading of Kuhn. The goal of the paper is to study the link between Kuhn's account of change in science and the change brought by BE in economics through two narratives.

The first narrative focuses on role of anomalies. For a long time, when faced with surprising empirical results economists talked of paradoxes, while Behavioral economists, in opposition, insisted on the idea of "anomalies" to emphasize the necessity to rethink microeconomics theory. In particularly Thaler that read Kuhn and wished for such a shift in economics.

The second narrative we will study relates to the role of outsiders in the emergence of new paradigms. While Kuhn evoked this aspect of change in science, it was developed more importantly by Alexander Bird. BE was founded by outsiders, and the relationship with psychology is a core value of the field. In both Kuhn and Bird's accounts, outsiders are a great source of conflicts and incommensurability. We will investigate this question with a focus on some important controversies in BE. We will wrap up the article by emphasizing the strengths and limits of Kuhn's account of change in science when applied to BE. While Kuhn's vision of change is still relevant in many aspects, we will insist on the fact that this framework is stronger when enriched by some recent developments in philosophy of science.

**SAT2E – Rm. 214      MARX**

**Marx Economist: The Revolutionary Emergence of Subjective Praxis**  
**Clara Elisabetta Mattei**

Amongst Karl Marx's important contributions to the western tradition of economics, his methodological proposal was surely revolutionary in nature. In this paper I aim at analyzing Marx's economic methodology, focusing in particular on the motivations for his critical stance towards political economy. Drawing upon key intuitions of the French phenomenologist Michel Henry (Marx. 1976. Vol. I: Une philosophie de la réalité. Vol. II : Une philosophie de l'économie) I will show how Marx's original economic approach and criticism was a fundamental component of his larger revolutionary philosophical project. Starting from 1845 Marx rejected in toto the western metaphysical tradition, both in its ontology and in its methodology. Marx understood reality as immanent subjective praxis. Given such ground-breaking conception of the being, in order to be able to study it in its nature, an original method became indispensable: a genealogical and historical approach that refuted the concepts of universality and objectivity without reducing itself to aporetic relativism. From this broader philosophical perspective the full implications of Marx's rejection of classical political economy, viewed as ideological and abstract, will emerge. Indeed, for Marx, methodological error produced grave ontological and, ultimately, political-economic consequences: the obstruction of the centrality of the subject in his/her subjective praxis. Such outcome irrevocably oppressed flesh and blood humans. My analysis will be undertaken focusing primarily on Marx's concept of labor in *Das Kapital*. Labor will be the conceptual fil-rouge to unearth the fundamental characteristics of subjective praxis and the reasons why they are undermined by political economy.

**From Marx to Foucault: How Postmodernism came to Support Neoliberalism.**  
**Zachary Knauss**

In this paper I attempt to trace a rather clear trajectory of theoretical and methodological continuity and also disruption from Marx to Foucault, through the intermediary of Horkheimer and the Frankfurt School. In the wake of the disappointments of WWI, the Frankfurt School reoriented Marxist theory to a cultural and individualist analysis in order to escape what they saw to be the horrific outcome of the Enlightenment project in a repressive State - Socialist or Fascist. The quest for equality was rejected, as was the general will, with their practical application in Soviet society found sufficiently undesirable to warrant the abandonment of the entire approach. In their escape from these political realities of the mid 20th century, they set the stage for a wave of anti-State, anti-Enlightenment Leftism, most notably coalesced by Foucault. His non-Marxian conception of power did not stop at targeting Socialist states as undesirable, but extended to the critique of institutionalized aspects of Labor's strength in capitalist democracies. This was manifested in his conception of the welfare state and Social Security as the culmination of biopower. In the end, the anti-Enlightenment, anti-state project that would come to be would be neoliberalism. Whether Foucault or Horkheimer would have been happy with this result, had they lived to see it, is of course a less interesting line of inquiry than one that seeks to re-construct their methodological alterations with a view toward highlighting their own blind spots and how they may have assisted in the rise of neoliberal hegemony.

## SAT2F – Rm. 212      BUSINESS CYCLES

### **An Integral Part of Wilhelm Röpke's Business Cycle Theory**

**Lachezar Grudev**

Wilhelm Röpke's theory of secondary depression presented an important contribution towards understanding the process of the economic bust. In his book "Crises and Cycles" (1936), Röpke stated: "The [primary] depression may, under certain circumstances, grow to dimensions quite out of proportion to the preceding boom, so that it loses more and more its function of readjustment and degenerates into a secondary depression." Röpke emphasized that the secondary depression is an immediate result of the primary depression, the phase of the cycle which both the Austrian economists and Röpke considered a necessary purification process. However, Röpke did not precisely elaborate on the relationship between the two. This is the reason why previous research regarding Röpke's secondary depression is inclined to define the process as an independent phenomenon that has nothing to do with the specifics of the primary depression. This paper suggests that the roots of the secondary depression can be traced back to the primary depression which, in turn, depends on the evolving boom period

that preceded it. Hence, the paper formulates the hypothesis that Röpke's specific definition of the boom period is the key towards understanding the existence and relationship of two depression types. Thus the paper explores Röpke's formulation of the boom and discusses its characteristics with the aim of pointing out how the process of a secondary depression can be seen as an integral part of Röpke's business cycle theory.

### **Alvin Hansen's Stagnation Thesis and Continental Business-Cycle Theory: The Contributions of Arthur Spiethoff and Gustav Cassel**

**A. Reeves Johnson**

The painful recovery that followed the 2008 global financial crisis compelled many macroeconomists to confront their belief in a self-adjusting system. "Stagnation" reemerged as a catchword to designate how an economy could operate below its potential without showing a tendency toward full recovery. Some economists of major stature even began referring to the sustained poor performance of the U.S. and larger global economy as a "new normal." This renascent idea has its roots in the 1930s, when Alvin Hansen first coined the term "secular stagnation," as part of an historically-grounded account on twentieth century capitalism's tendency toward an underemployment equilibrium. The present paper concerns the original formulation of Hansen's stagnation thesis and the chief influences that inspired it. It begins by devoting attention to Hansen's understanding of stagnation as a cyclical process; a marked contrast to the term's current usage. In view of this cyclical perspective, the paper then undertakes to examine the indispensable contributions of two theorists associated with continental business-cycle theory, Arthur Spiethoff and Gustav Cassel, with whose work Hansen had become familiar in the years before the Great Depression. Earlier literature has made passing allusions to the influences of continental business-cycle theory on Hansen's thinking, but no work yet has endeavored to evaluate them in any detail. Using Hansen's seminal 1938 AEA presidential address on secular stagnation as a marker, the paper analyzes published and archival material preceding it to argue that, despite Hansen's higher regard for Spiethoff's work, it is Cassel's theory of cyclical growth that is more clearly reflected in his stagnation thesis.

**SAT3A – Rm. 211      TRADITIONS OF MODERNIZATION: ECONOMIC  
DEVELOPMENT THEORY IN GLOBAL PERSPECTIVE**

**Decolonization and the Development of Development Economics in the USSR**  
**Alessandro Iandolo**

'Classic' theorists of communism such as Karl Marx, Vladimir Lenin, and Leon Trotsky offered complex analysis of processes of economic change focused on Europe. When in the late 1950s the Soviet Union began to propose itself as an economic model for the countries of the Third World, this 'classic' approach entered into an intellectual crisis. This paper analyses the attempts made by Soviet academics, party officials, and political leaders to produce a theory of development that was ideologically solid, but flexible enough to allow for political action.

### **“Culture” and “Traditions” in Soviet Thinking on Third World Economic Development**

**Chris Miller**

This paper will examine Soviet ideas about how “culture” and “traditions” effected different peoples' and countries' capacity for economic development. It will focus in particular on the writings and career of Nodari Simonia, a leading Soviet development expert. The paper will assert that as Soviet confidence in class factors as determinants of economic development receded during the 1960s and 1970s, notions about 'modern' and 'backwards' cultures began to take their place in many Soviet intellectuals' thinking about why Third World countries failed to modernize.

### **The United States in Latin American Industrialization: Contemporary Experiences in Historical Perspective**

**Isabel Estevez**

This paper traces the evolution of U.S. influence on Latin American industrialization debates and policy in three historical moments: the 'structuralist' projects of the 1950s-1970s, the neoliberal era, and the return of developmentalist states in the XXI century. We analyze the factors that account for the changes in U.S. strategy toward Latin American modernization initiatives and Latin American responses to those strategies.

**SAT3B – Rm. 248**      **BRUCE CALDWELL'S *BEYOND POSITIVISM AFTER 35 YEARS* - Preview of a Symposium to be Published in *Research in the History of Economic Thought and Methodology***

### **Beyond Positivism in the Light of the Naturalistic Turn**

**Kevin Hoover**

Caldwell's *Beyond Positivism* stood with Mark Blaug's contemporaneous *Methodology of Economics* at the juncture that marked beginning of the consolidation of methodology into a

distinct field. In some ways, the books were similar: each contextualizes economics within a preexisting framework of the philosophy of science. Yet, in other ways, they were very different, not least in their methodological attitudes: where Blaug was prescriptive, Caldwell was tolerant and pluralistic. Over the next three and a half decades, the philosophy of science generally and economic methodology particularly took a naturalistic turn, becoming more closely connected to the details of the actual practice of economics. I purpose to examine how these key works -- especially *Beyond Positivism* -- stand up and stand up to the subsequent developments in the philosophy and methodology of economics. Does *Beyond Positivism* retain important lessons for economic practice or has it been superseded by subsequent developments in the field?

### **Exploring the Impact of Beyond Positivism on Austrian Economics and Beyond Peter Boettke and Virgil Storr**

Caldwell's *Beyond Positivism* sparked a reexamination of the methodological presumptions of mainstream economics, which led scholars to a better understanding of the work of Popper and Lakatos, and others in the “growth of knowledge” tradition. Caldwell's work also created space for a reexamination of the methodological foundation of various schools of economic thought and to a reassessment of the arguments of some key intellectual figures such as Hayek whose work might fit with the growth of knowledge literature. From this vantage point, we will examine the role that Caldwell's work played in the exploration of the methodological foundations of the modern Austrian school of economics, and the role it played in the work of Don Lavoie, who in the 1980s emerged as one of the leading methodological voices in that tradition.

### **Hypothetical Pattern Explanations in Economic Science D. Wade Hands**

This paper will discuss a subset of the philosophical literature on scientific modeling that emphasizes the difference between a model providing explanations of specific events and a model being explanatory. The main differences are in the structure of the models and the characteristics of the explanatory target. Traditionally scientific explanations have been framed in terms of explaining particular events, but many scientific models have targets that are hypothetical patterns. This paper has three main goals: i) to make the case that explaining pattern idealizations (rather than specific events) is what economics often does, ii) to argue that the inability to predict specific economic events comes from the same heterogeneity and complexity that one often encounters in biology, and iii) to demonstrate that Hayek's arguments about “pattern predictions” and “explanations of the principle” are essentially

arguments for the importance of this type of modeling in economics. The paper concludes with a discussion of the importance of this relationship within contemporary philosophy of economics and its connection to Beyond Positivism and Caldwell's later work.

**SAT3C – Rm. 213      FRANK RAMSEY, A ROUNDTABLE: NEW BIOGRAPHY AND ARCHIVAL MATERIALS**

**Presenter: Cheryl Misak**

**Panelists: Pedro Garcia Duarte, John B. Davis, and E. Roy Weintraub**

Frank Plumpton Ramsey had an extraordinary but short life: in Cambridge of the 1920s he became known as a precocious and brilliant mathematician who was deeply interested in many intellectual developments of the time, such as socialism and psychoanalysis, and who interacted with philosophers, economists, mathematicians, and artists. He interacted closely with such luminaries as Bertrand Russell, G. E. Moore, John Maynard Keynes, and Ludwig Wittgenstein and despite living only twenty-six years (and having a publishing time span of less than a decade) he made contributions to logic, mathematics, philosophy and economics that turned out to bear many fruits since then.

Due to the brevity of Ramsey's life one would think that there is not much materials about it. That is in fact a mistake. In 2013 his sister, Margaret Paul, published a biography (Frank Ramsey (1903-1930): A Sister's Memoir). In addition to Ramsey's own archives at the University of Cambridge and his philosophical papers at the University of Pittsburgh, there are several other bodies of correspondence: the Keynes-Lopokova, the Ramsey-Sprott, the Ramsey-Schlick, and the Wittgenstein, Sraffa, Keynes, Braithwaite papers. And more. Cheryl Misak, Professor of Philosophy at the University of Toronto, came across a wealth of materials including correspondence and tape interviews with Ramsey's friends and family members put together by Laurie Kahn, well-known documentary filmmaker in Boston, when she was an Oxford DPhil student writing a biography of Ramsey. Kahn's project unfortunately never saw the light of day, but she donated her materials to Misak who in turn is opening the Laurie Kahn Ramsey archives at this university and she is writing a new biography of Frank Ramsey.

This roundtable is an opportunity to learn more about Cheryl Misak's new biography and the archives that are to be opened to the public in June 2017. Moreover, we want to discuss the new scholarship on Ramsey by paying attention to the three major areas of his contributions: philosophy, mathematics, and economics. Therefore, we have as panelists historians who have made important contributions to understanding these areas at the time of Ramsey.



**SAT3D – Rm. 341 AMERICAN ECONOMIC THOUGHT FROM PRE-INDEPENDENCE  
TO INDUSTRIALIZATION**

**Sir James Steuart and the American Mercantilist Tradition**

**Stephen Meardon**

Wisconsin School historian William Appleman Williams labeled the period 1763 to 1828 the “Age of Mercantilism” in America. Colonial America and the early United States saw the construction of “a system strong enough to survive the application of the principles of Adam Smith.” My purpose is to determine the contribution of the ideas of Sir James Steuart to American mercantilism, such as it was, from Alexander Hamilton to Henry Clay and beyond. Other authors have found traces of Steuart’s *Inquiry into the Principles of Political Economy* in American tariff debates at some moments and American monetary thought at others – even, according to Joseph Dorfman, up to Stephen Colwell’s analysis of *The Ways and Means of Payment* on the eve of the U.S. Civil War. I assess these scattered findings of Steuart’s influence on American economic thought. I discuss Steuart’s significance to the system Williams called American mercantilism, and the historiographical significance of calling it so.

**King Hay: Stephen Colwell and the Northern Argument for Economic Development**

**Ariel Ron**

Was slave-grown cotton the engine of nineteenth-century American economic development? The emphasis placed by modern historians on cotton is in danger of simply reproducing the economic arguments of slaveholders themselves. Their arguments were dubious. What allowed the North to withstand disruption to the cotton supply with relative ease? If not cotton exports, what did drive American economic development? In this paper, I make the case that hay was more valuable than cotton in the antebellum era. I explain why by looking at the writings of the northern economic nationalist, Stephen Colwell. In Colwell’s conception, hay illustrated the importance of diverse trade between urban and rural areas within the domestic economy. Exports, of whatever kind, were secondary in his view. I then examine the situation from a modern, economic-ecological perspective focused on energy to suggest why Colwell’s view offers an explanation of antebellum US economic development that, while partial, is in many ways more convincing than the slaveholder case for cotton.

**Henry C. Carey’s Monetary Thought and American Industrialization in the Greenbacks Debate**

**Sofia Valeonti**

Henry C. Carey was one of the main theoretical advocates of the greenback, the paper money issued in order to finance the American Civil War. The greenback established an inconvertible monetary standard from 1862 to 1879. Carey proposed greenbacks as the solution to both the internal and external constraints of the emerging industry, i.e. high interest rates and a de jure appreciation of the exchange rate. An elastic supply of money offered by a greenback monetary standard could foster low interest rates, which in combination with a depreciated exchange rate could promote industrialization. His greenback advocacy took into consideration American sectionalism by opposing different economic interests linked to different sections of the American territory. Carey believed that the development of the emerging industry could overcome sectional opposition, as it would favor the whole nation. This paper explains how Henry C. Carey's monetary thought addressed American sectionalism by promoting greenback-fueled industrialization.

## SAT3E – Rm. 212      THEORY AND POLITICS

### **How Radical Uprisings Shaped Economic Theory. And the Late Embrace of the Wealth of Nations**

**Michael Perelman**

### **How (and How Much) Does Theory Matter? The Role of Theories in the Economic Controversies over the Minimum Wage since the Early 20th Century**

**Jérôme Gautié**

In his seminal paper on the history of minimum wage (MW) debates, Leonard (2000) noted that ("[...] what is striking through much of the twentieth century is the extent to which the application of economics to labor markets remains almost entirely theoretical." Since the mid-1990s, and the emergence of the "new minimum wage research", the observer may have the feeling that the imbalance is exactly the opposite: MW economic debates seem nowadays overwhelmingly empirical, with fierce debates over the relevance of different estimation techniques. But this shift from the domination of theory to the domination of empirics deserves a closer look. This paper analyses not only the content of theories, but their nature and the role they played in MW controversies from the beginning of the XXth century to nowadays. Our purpose is twofold, and our approach combines two levels of analysis. First, from a history of economic ideas point of view, our aim is to explore the economic theories that were referred to in MW debates, how they evolved, how some have disappeared, and sometimes reappeared under a different form, and within a different "rhetoric". Second, in a methodological and epistemological perspective including also some elements of sociology of

science, our purpose is to understand not only what but also how theories were used in MW controversies.

### **A Problem in Economic Explanation: Historical, Theoretical, and Normative Perspectives**

**Patricia Marino**

This paper explores the nature of a particular problem in economic explanation, situates that problem in a historical context, and explores some normative implications of resolving the problem in various ways. The problem arises in the context of analyzing potentially irrational behavior. In economic terms, people are irrational when they fail to maximize their own preference satisfaction, but in cases where we don't know a person's preferences, we do not know whether that person has behaved irrationally with respect to one set of preferences or irrationally with respect to another. Though the problem may be most familiar in the debate over behavioral and classical approaches to economics (see, e. g., Jolls, Thaler, Sunstein 1998a and 1998b and Posner 1998), it has roots in the philosophy of social science broadly understood (Elster 1995, Føllesdal 1982). As Angner 2012 points out, much depends on which interpretation seems to rely on more ad hoc judgments. But as we know from standpoint theory (Anderson 1995), what we see as artificial or ad hoc is affected by how we are socially situated. As is well-known, different interpretations are associated with different normative policy implications, such as the “nudging” of behavioralism and the utilitarian-libertarianism of the classical approach. The problem about standpoint, and the entanglement of the descriptive and the normative, prompt the question of whether answers to the theoretical questions are ideological in a problematic way. I draw on recent work on values in science -- such as Douglas 2009 -- to address this question.

### **Ideas of Economic Democracy in Russian pre-1929 socialist thought**

**Anna Klimina**

Contrary to what might be assumed, given subsequent historical developments, socialist thought in late Imperial Russia was anything but homogenous. While all left-wing opponents of feudal autocracy believed that Russia's future should essentially be a non-capitalist order, they differed considerably in their understanding of a desirable economic foundation for socialism. Russian Marxists advocated first a dictatorship of a proletariat as the new form of post-revolutionary state, and then a centralized state control of the economy on behalf of the proletariat as the future economic model. In contrast, non-Marxist socialists, wary of replacing the capricious tsarist autocracy with an equally authoritarian proletarian state, believed that economic democracy had to be the foundation of a new social order. These scholars imagined socialism almost exclusively in conjunction with workplace democracy, worker (“toiler”)

ownership, local governance and economic decentralization. Their vision was destroyed, first by the Bolshevik policies after the October 1917 Revolution and then by Stalin's 1929 turn to a tyrannical command economy and political repression (the purges), a process that effectively halted, for several decades, theoretical discussions about economic democracy among Soviet scholars. The paper clarifies that even during the years of NEP (The New Economic Policy of 1921 – 1928), the period known for its somewhat freely conducted intellectual debates among Soviet scholars on the nature of central planning and a desirable path to industrial socialism, the possibility of worker ownership of industrial property or worker control and participation in management was not discussed in the Soviet economic literature.

#### **SAT4A – Rm. 211      ISSUES IN MONETARY MACROECONOMICS**

##### **International Monetary Reform Proposals before the Keynes Plan, 1920-1940**

**Guillaume Vallet**

##### **Hicks on Hayek, Keynes and Wicksell**

**John Smithin**

##### **Exchange rate management in small open economies**

**Tharron Khemraj**

##### **The Wicksell-Hayek Connection in the Post-Keynesian Theory of Aggregate Price Formation: A Critical Perspective**

**Mario Seccareccia**

#### **SAT4B – Rm. 248      A QUANTITATIVE TURN IN THE HISTORY OF ECONOMICS: LESSONS FROM THE HISTORY, SOCIOLOGY AND ECONOMICS OF SCIENCE**

##### **Who's who? Bibliometrics and the history of economics**

**José Edwards**

##### **A digital study of the recent history of central banking: promise and technique**

**Francois Claveau**

## Lessons drawn out from a comparison between "traditional" and "quantitative" history. The example of the efficient market hypothesis

Franck Jovanovic

SAT4C – Rm. 213

**WOMEN'S CONTRIBUTIONS IN TWENTIETH CENTURY  
ECONOMIC THOUGHT – an international dimension**

### Women Economists in Modern China

Yue Xiao

This paper is a study of the economic thought of Chinese women economists who received their doctorates of economics in America in the period of modern China (1840-1949). My survey focuses on the dissertations of three women economists in the first group of formally trained Chinese Ph.D. students. During this turbulent one hundred years, the Chinese economy was sharply reformed after the collapse of feudalism and the introduction of western capitalism. Centered on the opening of foreign trade in China, Chinese economists searched for policies around which to build economic reforms. Among them, three women economists played a significant part in the reformation; they offered new ideas on the most pressing changes that China should make in order to survive the impact of western economics on the traditional Chinese structure. In the face of the new economic environment that no Chinese had ever encountered before, these women contributed to the nation's economic development with novel solutions at this critical time and made their voices heard for the first time in an area formerly dominated by men. They have received almost no attention from the history of economic thought.

My paper in details explores the doctoral dissertations separately, which are the most influential research conducted by the three women in Modern China. First, Mabel Ping-hua Lee's doctoral dissertation "The Economic History of China: With Special Reference to Agriculture", was the first modern survey of Chinese economic history. Her economic thought on agriculture considers how China, one of the largest agricultural countries in the world, should adjust its policies in the face of the political and economic reforms caused by the introduction of foreign trade. Second, Chung-ying Kuo's "British Trade in China" focuses on an analysis of China's imports from Britain in Sino-British trade. Britain was one of the pioneer western countries to build a trade relationship with China, and had a primary influence on the development of modern China's economy. Kuo's study of British trade in China offers an excellent representative model for foreign trade analysis. Third, Yu-pu Pan's doctoral research "International Capital Movements and Capital Formation" studies the theory of international capital flows, a major topic of

international economy, served for the purpose of China's development in foreign trade. All these of three pioneering women offered important policy proposals aimed at coping with Chinese new reality.

### **Two Different Contributions to Public Finance: Margit Cassel and Louise Sommer Harald Hagemann**

Margit Cassel (1897-1994) defended her doctoral dissertation *Die Gemeinwirtschaft. Ihre Stellung und Notwendigkeit in der Tauschwirtschaft* (The Communal Economy. Its position and necessity in the exchange economy 1925) at 5 December 1924 at the University of Stockholm. The core consists of part II about indivisibility of collective goods as a reason for a public sector economy and Part III about whether a public sector is desirable to alleviate poverty. Her work was praised in the contemporary German literature by the liberal Wilhelm Röpke as an important contribution to the socioeconomic tasks of public finance. Her foundational treatise on the public sector helps to clarify Richard Musgrave's later distinction between public wants and merit wants.

Louise Sommer (1889-1964) got her PhD from the University of Basel, Switzerland in 1920. Her early bipartite study, in which the first volume focuses on the historical roots and preconditions of mercantilism, is the best systematic analysis of Austrian cameralism. This holds in particular for the second volume (1925) in which Sommer critically discusses and assesses the works of the two groups of early cameralists of the Leopoldinian era Johann Joachim Becher (1625-85), Wilhelm von Schröder (1640-88) and Philipp Wilhelm von Hörnigk (1640-1714), as well as the two outstanding representatives of the Theresian and Josefinian era Johann Heinrich Gottlob von Justi (1717-71) and Joseph von Sonnenfels (1733-1817). Integrating influences of reform mercantilism, physiocracy, but also Kantian and Smithian doctrines, Sommer succeeds in giving a systematic survey on continuity and change in the thoughts of cameralists. She also takes pains to classify Justi and Sonnenfels, who often are recognized as typical representatives of the 'science of police' (Polizeiwissenschaft), i.e. the promotion of general welfare by the economic policy of the state (with Justi in his work on the 'state economy' – Staatswirtschaft – systematically distinguishing between the science of police and 'cameralism' (public finance), as late cameralists. Sommer became the first female member of the Subcommittee of Public Finance of the Verein für Sozialpolitik newly founded in 1921.

### **Evolution of Soviet Economic Ideas and Reform Proposals through the Lens of Women Economists Anna Klimina**

This paper reviews the development of Soviet economic thought through the particular perspective of Soviet women-economists. The study explains that while whatever was officially produced as Soviet political-economic thought during the early 1930s to late 1980s had been driven primarily by strict ideological necessities and, thus, had little enduring significance, there are two notable exceptions. The first is the development of Soviet mathematical economics, a field in which greater freedom from ideological influences resulted in economic research on par with Western mainstream economics. Olga Bondareva (1937 – 1991), a leading Game Theorist in the Soviet Union, is a prime example here. The second is the field of reform economics, which dealt with possible changes in the command economic system proper. Reform economics came into being, partially and thus unsuccessfully, during the timid Soviet Economic Reform of 1965, but was developed thoroughly in the years of Perestroika (“comprehensive restructuring” movement of 1985-1991). Using the works of Soviet women-economists, the paper discusses main approaches to the reform of Soviet economic system, approaches that in late Perestroika ranged from free - market radicalism to market socialism. Specifically, this study focuses on the views of Tatiana Zaslavskaja (1927-2013), the author of term “perestroika”, whose analysis of conflicting interest groups in Soviet society, work attitudes and work behaviour under bureaucratic collectivism, and ways to democratize the relations of state ownership of large-scale productive property constitute an original contribution to the political economy of modern social democracy.

### **Women Economists in Latin America: The case of ECLAC (1948-2016)**

**Rebeca Gomes Betancourt and Camila Orozco Espinel**

Inspired on the economic and social trends of the countries of the region, the United Nations Economic Commission for Latin America and the Caribbean, known as ECLAC, is the home for a well-articulated school of thought. Known as “historical structuralism” this school’s method of analysis focuses on the study of the ways in which the region’s institutional legacy and inherited production structure influence the economic dynamics of developing countries and generate behaviors that differ from those of developed nations. Keynesian thought, the historicist school and the Central European institutionalists exerted a decisive influence in the Commission’s early years. More recently, the focus has been switch to new theories of international trade and industrial organization, evolutionary theories of the firm and the new institutionalism.

Important work has been done to understand both, ECLAC’s role and place in the 20th century history of economic thought and its influence in Latin American economic policy. The work of many of its key members -such as Raúl Prebisch and Celso Furtado-, has been the object of important research. The contributions of Maria da Conceição Tavares, one its central

thinkers, has been as well raised significant discussion within the scientific community. Nevertheless, we still know very little about other women working at ECLAC.

Our aim is twofold. First, throughout quantitative and bibliometric analysis of the multiple outlets of the Commission (books, monographs, thematic series, journals and meetings proceedings), we expect to create a detailed cartography of the women that participated and forge the Commission school of thought during the period from 1948 to 2016. We will particularly focus on the oldest publications: two journals (*Revista Cepal* and *Notas de población*) and the collection *Documentos de Proyecto, Estudios e investigaciones*.

Second, informed by the results of our quantitative analysis, we want to take a close shot to the work some of the milestones of our cartography. Two economists seem to be part of the canon: the Brazilian Vânia Bambirra and the Mexican Ifigenia Martínez. While the importance of the work of these two women has been largely recognized by economist well-acquainted with ECLAC's ideas, neither their methods of inquiry nor their original ideas have been the object of a systematic analysis by historians of the discipline. We are also interested in their institutional (participation in the creation of association, journals, etc.) and political role (influential position in their countries). Rather than focus on their individual contribution, our objective is to trace their intellectual, institutional and social trajectory in order to constitute the landscape of women working at ECLAC.

## SAT4D – Rm. 341      METHODS

### **The Ontologies of Economic Theories**

**Michael Green**

The ontology of an inquiry has five aspects to it—the ultimate units, a type of opposition, a principle of identity, and a type of causality.

In Neoclassical economics, there is a single, homogeneous part—the optimizing individual. It employs contrary opposition. There a complete opposition between two entities, each has its own internal determinations, but both belong to a larger group that creates an underlying homogeneity. No interactions between different economic agents occur. All knowledge is internal to the agents. The identity of each consists of a set of endowments and a set of consistent preferences. Each simple is passive, and change can only come from the outside. Compounds are subject to the same organizing principles.

Austrian economics employs many constituent parts and a contradictory opposition. There is a complete opposition between being and non-being. This boundary is maintained by selection mechanisms that eliminate from existence unsuitable entities. An individual with a



specialized function of introducing objects to markets performs his function. The selection mechanism operates upon this object either eliminating it by negative feedback or sustaining it by positive feedback. The heterogeneity of individuals arises from the fact that each individual has a comparative advantage. The individuals are placed within a hierarchical system in which consumers select products and entrepreneurs while entrepreneurs select factors of production. In terms of causality, the internal activity of the constituents is acted upon by external forces according to certain laws of various selection mechanisms.

Keynesian economics arises out of a matrix of inquiry that employs one unified whole. A privative-positive type of opposition is used to structure inquiry. This has four stages. It begins with the affirmation of the negative--the recognition that something is wrong. The next step is the negation of the affirmative--the diagnosis of the specific deficiencies in the system that are producing the deficiencies of the system. The next step is the negation of the negation in which it is shown how these specific deficiencies can be removed. The final stage is the affirmation of the affirmative, which is the positive characterization of the system with the imperfections removed. There is now a single, consistent, and completed functioning whole.

Finally, Classical economics employs a matrix based on many unified wholes. Capitalism is just one among many possible economic systems. This employs a relational type of opposition. This is an opposition between two entities, which each has its own set of constituting qualities. These are opposed so that they exclude one another, but they are also related. This creates a polarity type of oscillation. The identity consists of the consistency among the various processes within the system--technological, economic, political, and ideological. Causality operates endogenously. The analysis is complete once all the stages in the oscillating process are specified.

## **History of economic methodology literature from 1963 to today**

### **Lawrence Boland**

Since the famous 1962 American Economics Association meeting's session on the 'Problems of Methodology', economic model builders have rarely if ever talked about methodology in the published research. This is particularly so in the case of research journal articles. Until 1973, no major journal published any article about economic methodology. And then none until 1979. Books fared a bit better but none gained notice until Mark Blaug's 1980 methodology book. After that, books specifically on methodology began being published by major publishers.

Needless to say, methodology discussion has been active in history of economic thought conferences since the early 1980s. For the History of Economics Society its inclusion was deliberate and explicit. While most methodologists today think any discussion of methodology must be in terms of the views accepted in mainstream philosophy departments, rarely today is

there any discussion about the views of philosophers of science other than the once frequent debates over the relevance of Karl Popper's view. Today, even those debates have disappeared.

One main question to be discussed in this paper is why mainstream North American economic model builders still do not say anything about methodology in their published research. Another question to consider is why those attending methodology conferences say little about the small-m methodological decision that model builders nevertheless must silently make. Given my long history of published books and journal articles explicitly on small-m methodology of model building, my discussion will for the most part be from a first person perspective.

### **History of economic thought and a prototype of comprehensive political economy: a novel exigency in 21 century**

**Yadollah Dadgar**

Going through history of economic thought, HET, deeply with presupposing conventional economics as a multidimensional discipline, one can create a specific research package. By so doing, I came up with a seven angle diagram, which can be called "a prototype of comprehensive political economy, PCPE". Meanwhile each angle in diagram in question, indicates a specific feature of conventional economics. According to PCPE, economics does have the following characteristics: it is a technical, moral and social science. Methodologically speaking, it is an open, dynamic and plural science which is interrelated with other social sciences. Finally, its successfulness in actual life is compatible with a standard public sector structure. As logical and mathematical modeling are concerned, applying PCPE in real life could lead to a consistent outcome with another seven angle diagram. These are sustainability, moderation with specific global and rational orientation. It produces an efficient language to analyze other disciplines. This framework eventually safeguards the sustainability of political economy itself. Deep review in HET, and quoting the idea of remarkable numbers of economists are used among other techniques to test the semi hypothesis of this paper. The semi hypothesis is efficient workability of HET for improving economy in 21 century.

**SAT4E – Rm. 214**

**TEACHING THE HISTORY OF ECONOMICS/ECONOMIC  
THOUGHT OUTSIDE ECONOMICS DEPARTMENTS: a panel  
discussion**

Giandomenica Becchio

Ross B. Emmett

Mary O. Furner

Tiago Mata

## SUN1A – Rm. 211 JOURNALISM AND POPULAR POLITICAL ECONOMY

### **The Economic Ideas of Journalists: The Wall Street Journal during the Economic Crisis of 2007-2009**

**Masazumi Wakatabe**

Historians of Economic Thought tend to focus on producers of economic knowledge narrowly constructed. But economic knowledge is not carried by economists only, and historically what we now consider as economists has changed considerably: some of the great economists were not academic economists.

One such group of economists broadly conceived is journalists. They write on contemporary economic issues, and write for a wider audience than academic economists do. They may not be a producer of economic knowledge, but surely its middleman and interpreter.

Notwithstanding a growing interest in, and the literature on the economists as public intellectuals (Mata and Medema 2013), the economists as journalists (Backhaus 2011 on two economic journals which were founded and edited by Gustav Stolper), on the ideas of individual journalists (Mata 2012 on Leonard Silk, Goodwin 2014 on Walter Lippmann, Boettke and Palagashvili 2013 on Henry Hazlitt), and on the interaction between economic ideas and journalism (Parsons 1989), an exploration of the economics ideas of journalists is still an underdeveloped subject.

The paper investigates the economic ideas of journalists in economic and financial media. It will focus on the Wall Street Journal (WSJ) during the economic crisis of 2007 to 2009. The reasons of this selection are twofold. First, this is the foremost economic and financial newspaper of the U.S. and the world. Second, this newspaper is located at one of the epicenters of economic crisis of 2007 to 2009. More specifically, the paper analyzes the op-ed section and economists featured in its articles.

### **Walter Lippmann and The "Austrian" Economists in America**

**John Higgins**

The main premise of the paper is to explore Walter Lippmann's connection with "Austrian school" economists in the United States during the 1920s and 1930s, drawing on his original correspondence with such economists as: Henry Hazlitt, Frank Fetter, and Benjamin

Anderson. While Lippmann's connection to Keynesian ideas is well-understood (e.g. Goodwin 2014; Steel 1980), his interaction with the Austrians is generally mentioned only briefly. However, by his own admission, Lippmann was intently studying the work of the Austrians in the 1920s and 1930s when he was interested in business cycle theory, as well as corresponding with members of the school on both sides of the Atlantic. This paper is the first step in exploring this connection deeper.

## **Tocqueville's Critique of Commercial Society**

**Frank Howland**

Alexis de Tocqueville's analyses of nineteenth century America and England and eighteenth century France are generally classified as historical, political, and sociological, but there are good reasons for comparing his work to that of political economists, especially Adam Smith. Tocqueville's analysis of the relatively egalitarian American society can, in some respects, be thought of as a partial update to Smith's earlier analysis of the more stratified British commercial society. Tocqueville believed that the equality of conditions he saw in America would inevitably spread to Europe and therefore a study of American conditions could shed light on Europe's future. Tocqueville shared with Smith some of the same influences (e.g., Montesquieu and Rousseau) and employed similar concepts (e.g., his "self-interest well understood" as compared to Smith's "effort of every man to better his condition"). Furthermore, Tocqueville and Smith shared fundamental concerns about humans' ability to lead fulfilling and happy lives.

In this paper I consider first the common intellectual background of Tocqueville and Smith and then examine the influences of economists Nassau Senior, Jean-Baptiste Say, and Jean Paul Alban de Villeneuve on Tocqueville's economic thinking. The paper then turns, first, to a comparison of Tocqueville and Smith's accounts of Indians and slaves and, second, to the question of how Tocqueville's description of American economic activity differs from Smith's general account of behavior in modern commercial society. I claim that Tocqueville as well as Smith offers valuable insights for understanding modern debates on inequality.

**SUN1B – Rm. 248    PUBLIC GOODS**

## **Coasebusters: Ethics, Justice, and the Theory of the Firm**

**Edward Teather-Posadas**

What to do about rising income inequality is one of the defining questions of our day. Yet even as leading economists from James Heckman to Thomas Piketty devote much time to

the study of inequality, none so far have been willing to plumb the depths of theory to get at the root of the problem. One cannot expect democracy, fairness, and economic justice to spring unbidden from a structure that rests upon an inherently unequal foundation, the structure of the capitalist firm in theory and fact. We compare here the ethics and justice of the post-Coasean, post-Samuelsonian firm with alternative firm structures. We discover a puzzling resistance in the literature to deal with worker- and consumer-owned cooperative firms, whose success dates at least to 13th century Jura at the milk and cheese cooperatives. Firm structure is a fundamental cause of economic inequality and injustice. Most firms today are failing at the margin of ethics, we show, because they are organized unjustly, limiting the exercise and spread of democracy and economic virtue. The cooperative firm resonates more closely with leading ethical actors of economics, we argue, from Hayek's "ends-connected tribe" and Smith's "impartial spectator" to Marx's "species being" and Folbre's "visible heart". We find that the goal of reducing inequality must go hand in hand with a push for the best vision of ourselves as ethical beings in our primary place of production, the firm.

### **Non-Welfarism in the Early Debates Over the Coase Theorem: The Case of Environmental Economics**

**Steven Medema**

While economists typically eschewed non-welfarist arguments in the post-WWII period, there is at least one prominent instance in which such arguments were very much in play, both directly and as underpinnings for welfare-related arguments: The debate over the Coase theorem. This debate saw the Coase theorem regularly challenged on both welfarist (whether the result is efficient, with efficiency being variously defined) and non-welfarist grounds. This then raises the question of what it was about the Coase theorem that led economists into this non-welfarist territory. The present paper revisits the early debates over the Coase theorem, where non-welfarist arguments featured prominently, in order to bring out the nature of those arguments and attempt to understand the rationale(s) for their deployment. As we shall see, this move was a function of several forces internal and external to economics, including the environmental turn in society and the profession, a concern with issues of fairness and equity in the evaluation of how to resolve externality problems, a view, prominent in certain quarters, that the environment and environmental preservation is an end in itself, and the role that non-welfarist arguments could play as proxies for ideological positions in the debate over whether private forces could and should be relied upon to resolve externality problems.

### **Methodological Analysis of the Full-Cost Pricing Debate and the Theory of Real Competition**

**David Maddy**

The Full-Cost Pricing (FCP) debate (1939-1955) centered on the observed anomalies that firms are price-setters and leave no pools of excess profit. Methodological literature states that the anomalies of the FCP debate were insufficiently resolved by the theories of perfect and important competition, originating a Lakatosian degenerative problem-shift; degenerative because absorption revealed no new empirical content nor novel facts. After a study of the historical debate, I assess the capability of the theory of real competition (RC) to resolve the FCP anomalies in an improved fashion. Because RC functions on a different 'hard-core', aka 'paradigm', it cannot be subjected to identical methodology testing. Thus, I produced a relevant test by comparing the rules of the Methodology of Scientific Research Program (MSRP) to the Structure of Scientific Research (SSR) model and found that the SSR shows that the theory of real competition improves upon previous FCP resolution according to the following criteria 1. Anomaly Solution, 2. Quantitative Precision, 3. Aesthetics. RC solves the anomalies and produces more precise evidence on the equalization of the incremental rate of profit but is inconclusive with respect to calculating selling price. Furthermore, I argue that RC is aesthetically more suitable and produces simpler output though exhibits degradations of neatness and simplicity of design. Finding RC as a new paradigm in the context of a long-run degenerative problem-shift fits into the framework of the Kuhnian analysis of the 'crisis of science'. This paper recommends a re-classification of the episode of the FCP debate within economic history.

## SUN1C – Rm. 213    WAR AND PEACE

### **Adam Smith on War, Sentiment and Wealth**

**John Berdell**

Adam Smith's opposition to Britain's colonial policies and practices is justly well known. Indeed the structure of the *Wealth of Nations* is constructed so that every part of the work contributes an important element to its culminating attack on Britain's "pretense" of empire. Yet it is only as Smith delivers this conclusion, with nearly apocalyptic language, that his reader grasps that the whole book been relentlessly driving towards this point. In its sixth and final edition, Smith's first great book, *The Theory of Moral Sentiments*, manages to take on some aspects of that structure and argument. Smith adds an important new part to the end of his work in its sixth edition. The conclusion to the now penultimate Part VI of the work provides a conclusion that deserves, I will argue, to be regarded as the natural complement to the *Wealth of Nations*' closing attack on Britain's colonial empire.

## **Examining Thomas C. Schelling's contributions to nuclear deterrence and arms control as economic problems**

**S.M. Amadae, MIT**

Few economists have been so embraced outside of the economics profession as Thomas Schelling (1921-2016). He is recognized as a major contributor to international relations and arms control, in addition to social scientific methodology of explaining macro phenomenon from micromotives. Perhaps because of the large impact he had outside of professional economics, his contributions have not been subjected to the same minute historical scrutiny as have been that of other economists such as, for example, Kenneth J. Arrow. In this paper I am particularly interested in Schelling's work addressing the nuclear security dilemma paired with his analysis of the Hobbesian state of nature underlying social contract theory. The full impact of his writings on subsequent political theorists' work on bargaining within the context of governance and international relations remains under-analyzed.

Although there is much to extol in Schelling's opus, the goal of this paper is twofold. The first is to assess his 2005 Nobel Prize lecture, "An Astonishing 60 Years: The Legacy of Hiroshima," contrasted against the corpus of his work to trace out how his position on nuclear deterrence shifted from the doctrine of Mutual Assured Destruction (MAD) to permitting flexible response and deploying nuclear weapons as signals of a nation's preparedness to take risk in international conflict negotiations. Schelling's Nobel lecture leaves open questions of whether in his analysis the "nuclear taboo" stands as a focal point equilibrium throughout the Cold War and post-Cold War experience with nuclear deterrence. The second is to evaluate the extent to which Schelling's contributions to nuclear deterrence and arms control reflect economic reasoning, as opposed to what some refer to as merely a "mindset" reflecting strategic thinking. Given the extent to which international relations theory developed in the 1970s and 1980s to resemble formal economic analysis, posing this question invites understanding the extent to which Schelling constructed a framework for addressing military strategy in terms of a type of economics problem. Thus it may be possible to conclude that his key ideas of compellence and deterrence (*Arms and Influence* 1966) would be best understood as introducing economic analysis into the international relations arena. Where warranted, this paper will refer to other theorists, most significantly John Harsanyi, who similarly worked in the area of economizing problems of nuclear deterrence and arms control.

## **Effects of War Economics, 20th Century Historical Evaluation**

**Robert Reuschlein**

World War Two

The Second World War has cast a very long shadow over world affairs with much misunderstanding. First, the timing of the war suggests it is better understood as the second half of a combined 1914-1945 world war. In this way it resembles the thirty years war of 1618-1648. Sweden had such a bitter experience from that war that they have stayed out of wars ever since. Of the seven great powers involved in the Second World War, the United States suffered the least damage and the lowest percentage of their population dying in the war. France suffered a 40% drop in economic performance during the German occupation in World War Two. This is similar to the 40% weaker economy of East Germany compared to West Germany during the Cold War. So occupation seems to reduce a nation's economy by 40%.

#### Recovery

Just how devastating the war was is shown by the time it took for each nation to recover to their pre-war economy. For Japan it took 17 years from 1938 to 1955 to recover. For Germany it took 13 years from 1938 to 1951 to recover. For the Soviet Union (Russia) it took nine years to recover from 1940 to 1949. For the United States the war did grow the economy 34% in four years, but it took five years to recover from the post war recession, from 1945 to 1950. But the United States economic growth of 86% in the eight years from 1934 to 1941 inclusive greatly exceeds the eight year growth from 1942 to 1949 inclusive of 23%. Thus the accidental timing of the war just as the Great Depression was ending should not be enough to justify the claim that the war brought us out of the depression. Comparative statistics from the years 1860 and 1880 show that the United States lost 20% of their economy relative to Britain in those twenty years. The Civil War economy was a huge disaster for the United States.

#### War Experience Effects Future Belligerence

War casualties in the Second World War as a percentage of the nation's population reveal the postwar belligerence of nations during the Cold War. Germany's 5% death rate during the war and Japan's 2.2% death rate made them more low military peaceful and prosperous nations in defeat, while Britain's 1.2% and America's 0.4% death rates made them the more high military belligerent Western nations after the war, losing share of the world economy for decades. The Napoleonic Wars were so bad, Switzerland quit war after them. Joshua Goldstein's 500 year study of European wars showed that major wars killed about 1.5% of the European population. After the Napoleonic Wars, Europe had only minor wars for a century then had the worst wars of all time in the World Wars killing 5% of the European population in each of the two great wars.



## **Systematic Approach to Conceptual History of Commoditized and Measurable Knowledge: Endogeneity of Knowledge and Productivity in French, German and English Nineteenth Century Economic Literature**

**Olli Turunen**

In endogenous growth theory growth is primarily a result of endogenous forces. Investment in human capital, innovation, and knowledge are major contributors. Since economic and social stability of market societies connect to economic growth and boosting this growth seems to be depended on investments in human and intangible capital, it becomes understandable that we pay so much attention to measuring and testing whether human or intangible capital gets created. As the founding contributions to endogenous growth theory emerged in the 1980s, a non-economist might wonder what is wrong with economics if it takes two centuries to acknowledge that knowledge is behind productivity and that with purposeful action societies can create such knowledge. How new can such a basic idea be?

This article, as a part of a broader project, focuses on the early nineteenth century literature through a lens of knowledge and its place in economic theories. The main goal is to understand how the history of economic thought plays out when the decisive criteria of relevance are the concept of knowledge and the causal logic related to its purposeful creation, transfer, and economic effect. The research hypothesis is that when reading the literature from the angle of commoditized, investable, measurable, and thereby within the human reach laying knowledge, the authors who emerge as prominent are different from previous research. Application of plausible policy prescription approach to economic theories strengthens this effect.

A canon of relevant English, French, and German economic literature based on histories of economics and management will be collected. The literature is searched for performance explanations, which are analyzed at the sentence level in terms of causal logic, key resources, and organizational form. With contextual variables (e.g., author, time, country, language, school of thought, genre), the broken-down causal explanations of the functions of knowledge create a database that allows inferring of a general or variable-bound semantic field of explaining the economic role of knowledge. Such systematic groundwork allows to identify constant elements of knowledge related economic argumentation and semantic and conceptual shifts.

## **Artificial Intelligence, Automation, and Economics in the 1960s: Discourse on Productivity and Unemployment**

**Jo Ann Oravec**

In the past few years, a number of vocal protests specifically directed at artificial intelligence and automation developers have arisen, both in high tech-oriented communities as well as primarily industrialized regions, focusing on such technologies as drones, robots, self-driving cars, and online transportation services such as Uber. Concerns about the relative places of humans and machines in the economy are not new, however. The emergence of the dangers of automation as a theme in these protests provides some incentive for the examination of previous controversies, demonstrations, and related discourse on a comparable set of issues. In the 1960s, Nobel laureate Herbert Simon engaged in interactions with Robert Heilbroner and Norbert Wiener on these topics, with substantial implications for economic thought (Langlois, 2003). Artistic and street-level protests involving the future of automation were in the backdrop of these discussions, as technology-based uncertainty provided motivation for personal and group expression.

Although artificial intelligence was still in its infancy in the 1960s, projections of substantial job loss and related economic stresses proliferated in academic literature and popular press accounts. This paper explores the discourses of Simon, Wiener, Heilbroner, and contemporaries from their technological and social vantage points in the 1960s. It compares this period to discourse in recent years on these issues and explores reasons for the relative pause in attention to these themes between the early AI-automation concerns and today's discussions, for example as presented in McChesney and Nichols (2016). The paper also explores specific changes in 1960s-era economic and business policies that are linked to the Simon-Wiener-Heilbroner themes, exploring the potentials for today's discourse to have some practical impact.

### **Tools, Machines and Metaphysics: E. F. Schumacher and Intermediate Technology Robert Leonard**

E. F. Schumacher (1911 – 1977) is most famously associated with the publication of the 1973 best-seller, *Small is Beautiful: A Study of Economics as if People Mattered*, a central theme of which was his idea of intermediate technology. Drawing upon his experience in Burma in 1955 and India in 1961, Schumacher began to promote the idea of intermediate technology as a means of breaking the paralysis of development in “underdeveloped” countries. The approach sought to promote forms of production that were simple, cheap and easily adopted, thereby encouraging people to remain in their villages, rather than migrate to the city. Defying the “big project”, capital-intensive orthodoxy of economists such as Walt Rostow and the World Bank's Eugene Black, Schumacher went on to form in 1965 the Intermediate Technology Development Group, which saw the enthusiastic adoption of I.T. projects in many countries. Underlying all these ideas and activities in the realm of technology and development was Schumacher's quiet metaphysical commitment to the Traditionalist

philosophy of René Guénon (1886 – 1951), Ananda Coomaraswamy (1877 – 1947) and Frithjof Schuon (1907 - 1998). Collectively, these writers rejected the science, technology, materialism and democracy that had developed over the course of three centuries of Modernity, and they supported this critique by means of a sophisticated appeal to religion, mythology and ancient order. This paper considers Schumacher’s ideas on tools, machines and people in the light of his commitment to Traditionalism, which took root around 1950 and grew steadily until his death.

## **SUN1E – Rm. 214      URPE SESSION 2: COMPETITION, DEVELOPMENT AND GLOBALIZATION**

**Is Competition Necessarily Efficient? An answer through the history of neoclassical theory**  
**Irène Berthonnet**

**Natural Resources and Sustainable Development: A Keynesian Approach**  
**Salewa Yinka Olawoye**

**The Political Aspects of Profit-Led Globalization**  
**Matias Vernengo**

## **SUN2A – Rm. 211      POSTWAR GROWTH AND STABILIZATION**

**Keynesian Economics and the Political Economy of Power of the Postwar World**  
**Danielle Guizzo**

The economic origins and the sociopolitical impacts of what became known as “Keynesian Economics” have not received substantial attention from economists, political scientists and philosophers about its mode of governance. This article explores the rise and consolidation of Keynesianism as a mode of governance responsible for creating collective forms of power relations in the postwar world. Specifically, we apply a “political economy of power” framework to understand the emergence of Keynes’s economic theory and its transformation into a policy agenda that had specific consequences in terms of power, governance and regulation of the economy and the population between the end of the 1930s and 1960s across Europe and the United States. Consequently, policies involving full employment, demand management, economic stability and social security point out towards new forms of control and regulation in the shape of a security pact between the state and the population.

**Anticipations of the Kaldor-Pazos-Simonsen Mechanism**

## **André Roncaglia de Carvalho**

This paper aims to contribute to the literature on the intellectual history of the economics discipline in Brazil and its place within the network of international transmission of economic ideas, by delving into the history of the Kaldor-Pazos-Simonsen mechanism, namely: the behavior of periodically-adjusted fixed nominal wages under persistent inflationary conditions (the sawtooth wages model). Ranging from the immediate post-War years to the end of the 1960s, our narrative reveals that prior to Nicholas Kaldor's statement of the sawtooth model of real wages, other contributions sprung from various traditions. To this effect, we underline the discursive appraisal by Celso Furtado (1954) and the early neoclassical model by Bent Hansen (1951), only to fit both of them in a broader historical context of the economics discipline, whereby the emergence of formal mathematical methods allows for the connection between this debate and the Operations Research Program in the North-American universities in the early 1950s.

## **Alexandre Lamfalussy and the monetary policy debates among central bankers at the end of the 1970s**

**Ivo Maes**

The 1970s, with the end of the Bretton Woods monetary system, the two oil shocks and accelerating inflation were a turbulent period in postwar economic history. The breakdown of Bretton Woods implied that central bankers had to look for new monetary policy strategies, as the exchange rate lost its central role. Moreover, financial stability became a major preoccupation, certainly at the BIS. In this sense, and contrary to the Bundesbank and the Federal Reserve, Alexandre Lamfalussy, the BIS's Economic Adviser at the time, was less concerned about the growth of the money supply and its inherent inflationary risks, than with the expansion of credit and the threat of a debt crisis. The Latin American debt crisis of the early 1980s would confirm his fear.

This paper focused on how central bankers at the BIS responded to the Great Inflation in the developed countries. Monetarist ideas, focused on flexible exchange rates and monetary targeting were already in the ascendancy in the academic world in the 1960s. In the 1970s, with the Great Inflation, monetarism also gained ground in the central banking community, especially in the Bundesbank and in the Federal Reserve System.

The BIS Annual Reports, even before the 1973 oil shock, identified inflation as a major policy problem. However, the analysis, strongly under the influence Milton Gilbert, the BIS Economic Adviser in the early 1970s, focused very much on cost push factors as causes of inflation. From 1976, with Alexandre Lamfalussy as Economic Adviser, the BIS gave much more attention to monetary and financial developments. The high-level BIS Working Party on Domestic Monetary

Policy, which was created in early 1978, focused specifically on problems and techniques of monetary management.

During the debates at the end of the 1970s, Lamfalussy, in his early years a Keynesian in favour of discretionary policies, moved to a “conservative Keynesian” position, acknowledging that a medium term orientation and the credibility of monetary policy were important to break inflationary expectations. However, Lamfalussy and the BIS never moved to ‘monetarist’ positions. Lamfalussy certainly acknowledged that under the right conditions, monetary targets could reinforce the credibility and independence of monetary policy. However, he stressed that also other rules, like an exchange rate target, could play this role. Moreover, he rejected mechanical rules. In the early 1980's, with the rise of financial innovations, Lamfalussy would stress even more the limitations of monetary targeting. In essence he aimed for a middle position: rules applied with a pragmatic sense of discretion. In his view, central banking remained an art, not a science.

### **The Post-Keynesian ethos: at the crossroads of science and thought**

**Louis-Maxime Joly**

This article develops a critique of the ethos of Post-Keynesian economists by looking at three historical figures of the research program: Michał Kalecki, Joan Robinson and Paul Davidson. The Post-Keynesian ethos, I argue, is afflicted by an ambivalence towards economics as a science. Being critics *and* economists leaves them constrained by the *rules of the game* of their opponents. Kalecki is an important starting point because he developed his ideas outside of the not yet dominant curriculum of “neoclassical economics”. He was inspired mostly by the economic articulation of historical materialism, and yet used some formalism providing closure to his ideas. Robinson, instead, represents a first manifestation of the *post*-Keynesians ethos in her insistent critique of economics’ lack of historicism and her desire to distance herself from other Keynesians, though being framed by the terms of the increasing hegemonic order of economic discourse. Her ambivalence between offering a closed alternative of economic knowledge and opting for an ontological openness becomes more apparent in the work of Davidson. For example, his insistence on non-ergodicity and path dependence based on Marshallian foundations is presented as a unification principle for *the* Post Keynesian methodology. This vacillation is linked to the neoclassical bequest, perpetuated by Keynes, of a vision of a unified economic science, a vision which, so I conclude, reflects no more than a strategy to take over the power of a discipline. These three historical manifestations of the Post-Keynesian ethos thus help understand the strategic elements of this still popular heterodox school in both the academic and in real political discourse.

## SUN2B – Rm. 248    INFORMATION REVOLUTIONS IN ECONOMICS

### **The Retreat of Reasoning: regulating knowledge during the Obama administration**

**Tiago Mata**

This paper discusses the “Office of Information and Regulatory Affairs” and the way it was influenced by Cass Sunstein and behavioral economics in the Obama administration.

### **On Going the Market One Better**

**Edward Nik-Khah**

Prior to the 1970s, no economists in the history of neoclassical economics claimed an ability to fix markets to bring about salutary results; by now it has become commonplace for orthodox economists to take carte blanche to make up markets in a smorgasbord of shapes and flavors. The existing secondary commentary on the design of markets has taken note of these activities, but fails to appreciate how momentous a change this was for the economics profession, as well as the contradictions this change forced economists to navigate. We seek to illuminate this change by retracing the development of market design from its beginnings in the socialist calculation controversy through its first attempted application—the design of US airport slot auctions.

### **The Three Faces of Information in Economics**

**Philip Mirowski**

This paper, extracted from the forthcoming book (with Edward Nik-Khah) *The Knowledge we have Lost in Information*, discusses the main alternative modelling choices in the history of 20th century orthodox economics when it came to incorporating ‘information’ into the mix.

## SUN2C – Rm. 213    PRODUCTION THEORY

### **Samuelson and the operationalization of production theory: from the "Foundations" (1947) to the Non-Substitution Theorem (1949)**

**Amanar Akhabbar**

What came to be called the Revealed Preference Theory (RPT) is one of the outcomes of Samuelson’s well-known operationalist methodology (Hands 2014, 2016; Samuelson 1938,

1947, 1948, 1998). Samuelson's contribution to consumption theory has attracted much more attention than his works on production theory. Samuelson had nevertheless noticed that production theory and consumption theory shared the same analytical and mathematical structure. One may thus wonder whether there exists, in Samuelson's works, an equivalent for the theory of production to his operationalization of consumer choice theory?

We examine this working hypothesis and argue that although one finds in Samuelson's "Foundations" (1947) 'A Comprehensive Restatement of the Theory of Cost and Production' (chapter IV), this is only in his 1949 so-called non-substitution theorem (NST, published in 1951) that appeared a comparable achievement of his operationalist methodology in the realm of production analysis (Akhabbar 2014). Indeed, in the "Foundations," Samuelson's contribution relies mostly on offering an integrated theory of production analysis from technology and cost structure to output supply and input demand. In contrast, in the NST, like in RPT, Samuelson starts from observables that are the bundles of goods (inputs) and the given relative prices. Input-points are then explained as the result of the maximization principle. Instead of taking for granted or assuming production factors' complementarity or substitutability, these features appears as a result. From observables, one infers the consistent relations between goods-points, whether supporting properties of consumption goods demands (RPT), or inputs demands as revealed in technical coefficients (NST).

## **The Origins of the CES Production Function**

**Jeff Biddle**

"Capital-Labor Substitution and Economic Efficiency" (Arrow, Chenery, Minhas, and Solow 1961, or "ACMS") was the first published paper that both presented what is now known as the CES production function and used statistical data to estimate the parameters of that function. My paper examines the origins of ACMS, including the activities of each of the authors that preceded and led to their involvement in the project, as well as some of the "precursor" research of others that was related to the CES function form. I also look at the initial reactions to the idea of the CES production function as a tool for empirical analysis, including early applications and extensions of the estimation methods proposed by ACMS. Finally, this paper is part of a larger project looking at the history of the Cobb-Douglas production function as an empirical tool in economics. By 1960, the idea that it was useful to attempt to estimate production functions using regression analysis, an idea vigorously promoted by Paul Douglas in the 1930s and 1940s, had become fairly well established in the profession. The CES production function offered an alternative to the Cobb-Douglas functional form for estimating production functions. I attempt to place the introduction of the CES production function and the reactions to it in the context of the program of estimating production functions as it had developed up to the 1960s.

## **David Hawkins and the Hawkins-Simon conditions**

**Wilfried Parys**

The 1950 List of Members of the Econometric Society contained numerous economists, statisticians and mathematicians. A remarkable outlier in the list was “Hawkins, Dr. David, Professor of Philosophy, University of Colorado, Boulder”. David Hawkins (1913-2002) spent most of his long career on philosophy and childhood science education, but he also wrote interesting texts on the history of the first atomic bomb, mathematics, probability, physical and social sciences. Perhaps because he spent only a short part of his career “among the econ”, his story received less attention from historians of economics than the work of many other pioneers of Leontief-Sraffa models. By using archival material, mainly in the David Hawkins Papers in Boulder and the Wassily Leontief Papers at Harvard, it is possible to get more insight into the background of Hawkins’ economics. Hawkins made at least three remarkable contributions to economics: his dynamic input-output model in *Econometrica* 1948, the famous Hawkins-Simon conditions in *Econometrica* 1949, and some lucid nonmathematical thoughts on the commodity content of commodities in his 1964 book *The Language of Nature*. Hawkins’ dynamic input-output system of 1948 was formulated in complete independence of Leontief. Later Hawkins and Leontief exchanged some interesting letters on their mutual interests. After Herbert Simon signalled a minor error in Hawkins’ 1948 paper, Hawkins and Simon together published a correction in their self-contained 1949 note that created the Hawkins-Simon conditions, which today appear in many textbooks and encyclopedias (see for example Nikaido’s entry on Hawkins-Simon in the *New Palgrave*).

**SUN2D – Rm. 341    SCIENCE STUDIES**

## **Is mainstream economics a science bubble?**

**John Davis**

This paper uses Soros’ theory of a boom-bust cycles to argue that mainstream economics, as built on Samuelson’s *Foundations*, underwent a reflexive, positive feedback pattern of development before 1980 followed by a reflexive, negative feedback pattern of development after 1980, that made it a science bubble. The positive feedback pattern was associated with the “misconception” that when economics is framed as a natural science as *per* Samuelson, it improves its descriptive capacities as a science; the negative feedback pattern was associated with increasing recognition that this was a “misconception” and the emergence of mainstream economics’ performative ambition – the idea that economics aims to construct



the world in its own image rather than describe it. The paper discusses how this latter aim is embodied in later game theory, 'new' behavioral economics, and mechanism design theory. Yet the vision of economics as a performative science is inconsistent with Samuelson's natural science model of economics. Thus, mainstream economics turns out to be a science bubble much like many other mis-founded, superseded research programs in the history of science.

### **An « image of knowledge » prior to the « body of knowledge » : the rising of an experimental envy in interwar North America**

**Annie L. Cot**

If the "body" of experimental economics cannot be traced down before the 1950s, the North American interwar years were marked by a strong "experimental envy".

Abandoning John Stuart Mill's veto on the possibility of transforming political economy into an experimental discipline, a few authors, particularly including Wesley Clair Mitchell and Rexford Tugwell, wrote numerous *avant la lettre* advocacies on the necessity to turn economics into an experimental science. The notion was uncertain, polysemous, ill-defined, but marked a clear break with the previous epistemological conception of the discipline as a strictly hypothetico-deductive science.

At the same time, some lab and field experiments were practiced in neighboring social sciences, leading to various protocols and results, which also contributed to rise this "experimental envy" among economists.

The paper explores these early reflections and attempts, considering them as an important pre-historical step for the post-war experimental turn of the discipline.

### **Scientific Language Communities: A Pragmatist Approach to the Methodology of Scientific Research Programs, with Application to Stratification Economics**

**Kyle Moore**

The Popperian, Kuhnian, and Lakatosian views of science are only weakly applicable to understanding theoretical progress within economics. The pragmatists, especially Peirce, understood not only that tenacity was a fundamental method of fixing belief, but also that science takes place within communities of inquirers. A pragmatist understanding of the history of science, then, privileges the role of historically-conditioned communities of researchers, rather than programs bound by adherence to a theoretical hard core. Moreover, the influence of Darwin on the pragmatists and institutional economists causes a pragmatic understanding to emphasize the evolutionary advantages and disadvantages that characterize these communities, theoretically, socially, and politically. I propose that this pragmatic understanding of the evolution of scientific research programs be renamed the methodology of

scientific language communities: scientific, as they are groups of researchers engaged in advancing agendas of epistemology who refer to themselves as scientists; language communities to emphasize that these communities are bound together and evolve in ways similar to the evolution of language-speaking communities, that is, for social and political in addition to theoretical reasons. The methodology of scientific language communities augments the methodology of scientific research programs to address critiques that it receives from Kuhnian and pragmatic/institutionalist perspectives. The result is a socially and politically conscious framework for understanding social scientific progress as the evolution of communities of inquirers. After demonstrating the need for the concept of scientific language communities, I highlight its utility through application to two existing communities within economics: neoclassical microeconomics, and stratification economics.

## SUN2E – Rm. 214 HISTORY AND THEORY

### **From equilibrium to history: the articulation between micro and macro analyses of capital in**

#### **Joan Robinson's works**

**Yara Zeineddine**

“Capital” is a widely debated and complex concept. The complexity of its definition appears in the three Cambridge controversies (1893-1907, 1930's, 1950-1970). We'll investigate the last one from the perspective developed by Cohen and Harcourt, in order to understand how Joan Robinson questions the relevance of equilibrium as an analysis tool in relation to the definition of capital.

We will show that Robinson 1953-54's contribution goes beyond the usual criticism of the aggregate neoclassical production function and of the accumulation process based on the search of profit. Not surprisingly, her own definition of capital was the starting point of the controversy. She insists on the fact that capital is composed of heterogeneous goods with different durability and thus time matters. Our paper aims to understand her definition of time and how it works in her analysis of accumulation process. But more than that, her capital theory reveals on the one hand her complex articulation between the micro and the macro analysis of capital and on the other hand her focus on the historical institutions.

### **Using Polanyi's The Great Transformation to Understand Crises: Beyond the Regulation School and Social Structures of Accumulation Perspectives**

**Nefratiri Weeks**

The Regulation School and Social Structures of Accumulation provide a comprehensive approach to the institutional and structural characteristics of specific periods of stability and instability that characterize capitalist expansion, accumulation, and recession. In addition, these two schools of thought come to similar conclusions concerning the economic and political crises impacting the current accumulation regime/SSA-- namely, rising inequality, economic instability, and concentration of financial wealth (financialization). This paper argues that Karl Polanyi's *The Great Transformation* provides the underpinning for a better understanding of both the source and consequences of these crises. According to Polanyi, the real source of crises is liberalized economic approaches that attempt to turn the regulation of land, labor, and money ("fictitious commodities") over to the market mechanism, creating social and environmental damage and increasing economic instability. The consequences of crises in these realms include a multi-level spontaneous counter movement that seeks protection from market forces, resulting today in increasing institutional instability. Understanding why liberalized economic approaches lead to social harm and economic instability is a first and fundamental step toward crisis mitigation.

### **A Neglected Argument for the History of Economic Thought and Methodology (HOT&M): It's Domain is Humanity's Most Economic Resource**

**James Wible**

The History of Economic Thought and Methodology (HOT&M) may be the most anomalous field in economics. At one point nearly every canonical figure in the discipline also contributed to or was highly knowledgeable of HOT&M. In the 20th century this trend went through a terminating transition. Some of the major figures who also still contributed to HOT&M allowed it to be crowded out of the profession as quantitative methods, courses, and journals replaced more general and qualitative approaches. However, as the discipline of economics continued to change, HOT&M has also evolved. HOT&M has turned away from the conception of disciplinary history that economics proper seemed to have been rejecting. A case can be made that HOT&M with its newer and different forms of inquiry and scholarship uniquely addresses an unusually important economic problem. Following comments and extensions of ideas by C. S. Peirce, a case can be made that humanity's most unusual economic resource may be its capacity to produce and vet abstractions across many domains of human activities. This is the neglected argument. HOT&M may be the field of economics which specializes in humanity's most economic resource – its ability to create informative, qualitatively general ideas and concepts. It is the economic piece which is the missing link. It may be that economics proper and HOT&M are in some sense perfect intellectual and scientific complements with HOT&M focusing on an important economic activity in a way that is very difficult to consider with conventional quantitative methods of economic science.

**What is the Efficient Market Hypothesis?****Michael Thicke**

Eugene Fama shared the Nobel Prize in 2013 for his Efficient Market Hypothesis, which he first articulated in 1965 and has vigorously defended since. Although the hypothesis enjoyed a brief period of unambiguous empirical success in the late 60s and early 70s, its validity has been hotly debated for over 40 years. This talk will not revisit that debate, but instead discuss the meaning of the EMH---what Fama originally meant the EMH to claim, how that meaning has evolved, and how various economists have interpreted it to their own diverse ends. I will argue that the best interpretation of the EMH is as a hypothesis about collective rationality and adjustment to new evidence. Although this definition explicitly contradicts Fama's commonly accepted definition of efficient markets as those "in which prices always 'fully reflect' available information," it is implicit in empirical tests of the EMH and Fama's more recent discussions of his hypothesis.

**Efficient market Hypothesis, Samuelson, Fama: the interpretative issue of the random variation.****Thomas Delcey**

The authorship of the EMH is attributed to Paul A. Samuelson and Eugene F. Fama for their independent articles both published in 1965 in which they reacted to empirical studies showing the random character of stock prices. Indeed, both Fama and Samuelson interpreted the random character of prices as the consequence of rational markets. I argue that the apparent similarity between the two authors hides a strong opposition, and show that they conclude very differently about the accuracy of the stock market prices determined by the concurrence mechanism. Based on the reading and on the contextualization of their 1965 papers, I find that two different senses are granted to the EMH.

Indeed, Fama and Samuelson explain the randomness of price variation, and yet both develop a very different explanation of this phenomenon. According to Fama, the EMH is defined as competitive, where prices converge to the Fundamental Value (FV), which explains the random character of price variation and the unpredictability of the market. I call this definition "Fama's EMH." According to Samuelson, randomness of price variation, and unpredictability can be simply explained by the competition between investors with no regard to the FV. I call this definition "Samuelson's EMH."

I consider these formulations of the EMH as two distinct interpretations of the concept of random variation. Samuelson interprets random variation as a variation in itself, in time and/or space. Here, the random variation is the phenomenon that Samuelson is interested in and wants to explain. According to Fama, on the contrary, random variations are explained as a deviation from a constant cause in time and/or in space, i.e. as a deviation from the FV. The possibility of such random deviation is explained by the existence of other causes which are not systematic, however. Taking randomness as secondary, Fama's explanation focused mainly on the causal relation between the price and the FV.

I conclude that Samuelson's 1965 article is a first step that would allow him to reject Fama's EMH letter.

### **Beyond performativity, how and why American courts should not have used efficient market hypothesis: a historical perspective**

**Franck Jovanovic**

This paper provides a historical and critical perspective on the performativity of the Efficient Market Hypothesis (EMH) by studying its use by practitioners, particularly courts and judges in the United States, and the history of its construction. EMH was formulated in the period from 1959 to 1976 to give a theoretical explanation to the random character of stock market prices and laid down one of the cornerstones of financial economics and the importance of the pure random-walk model and the Gaussian distribution (Poitras 2006, Poitras and Jovanovic 2007, 2010, Rubinstein 1975, Sewell 2011). Houthakker and Williamson (1996) provided a telling example on how EMH, has actively shaped financial markets and practices. This is precisely the way performativity is most commonly understood (Boldyrev and Svetlova 2016). The performativity of financial economics has been well analysed and documented (Boldyrev and Svetlova 2016, MacKenzie 2006, MacKenzie, Muniesa, and Siu 2007, MacKenzie and Millo 2003, Mason, Kjellberg, and Hagberg 2015). Following the perspective opened by this literature, this article argues that EMH leads to the creation of a fiction that created a hyper-reality rather than performed financial markets. This situation explains why the use of EMH by practitioners, particularly courts and judges in the United States, has created a dialogue of deaf and has generated a gap between the observation of real financial markets and the reality practitioners and academics observe from this fiction. This gap has created and fueled several misunderstandings discussed in this paper.

## **The Economic Content of Guild Socialism**

**Joseph Persky and Kirsten Madden**

Despite all their Utopian tendencies, Guild Socialist writings, and especially those of G.D.H. Cole, exhibit considerable economic content. We attempt to clarify that content by: 1. Cataloging Guild assumptions concerning worker motivation and appropriate normative standards; 2. Describing the institutional structures designed by the Guild Socialists; 3. Exploring the logic that moves from these assumptions and institutional descriptions to theoretical constructs, suggesting links where appropriate to elements of modern economics; and 4. Evaluating the extent to which the resulting body of theory is coherent, non-trivial, and normatively attractive. At the same time, we intend to mark those Guild arguments that seem to require not just tightening and formalization, but fundamental reworking.

## **Back From the Future: John Maynard Keynes, H.G. Wells, and a Problematic Utopia**

**Phillip Magness and James R. Harrigan**

John Maynard Keynes' famous 1930 essay "Economic Possibilities for our Grandchildren" is celebrated today as both an important transitional work in his economic theory and for its famously optimistic predictions against the backdrop of the Great Depression. Despite the essay's acclaim and subsequent scholarly analysis of its arguments, comparatively little attention has been given to the history and context of its composition.

In this paper we explore the intellectual origins of "Economic Possibilities," starting with an abbreviated version of its predictions from an unpublished commentary that Keynes delivered to the Malthusian League in 1927. We then juxtapose Keynes' optimism in the essay with the futuristic vision developed in H.G. Wells' 'World of William Clissold' (1926), a little-studied didactic novel that grappled with its protagonist's commentary on a semi-utopian future society as a way to articulate its author's own philosophy. Several thematic continuities from the two authors' own ongoing personal correspondence and professional encounters – including at the Malthusian League event – point to an unnoticed intellectual and literary conversation in their respective works. A resulting thematic similarity is seen between "Economic Possibilities" and Keynes' own review of 'Clissold,' published in 1927. Taken in sum, the historical relationship between both works helps to explain Keynes' distant 100 year predictions in the "Economic Possibilities" despite its publication at a time of more immediate economic turmoil, as well as context to its own utopian character.

## **'Sparta – Sybaris'. Tibor Scitovsky meets Bernard Rudofsky**

**Viviana Di Giovinazzo**

In the period of disorientation following World War I, Modern Architecture sought to contain the potentially destructive charge of modernity through a program based on economic laws and the rules of the assembly line. Aesthetically, this involved a functionalist architecture where the beautiful was the useful, less was more, and ornament was a crime. The Moravian-born American architect, Bernard Rudofsky (1905 – 1988) was one of the few dissenting voices against modernism, which he criticized for its simplistic model of the human being. Furthermore, by ignoring the behavioural and cultural tendencies of the individual, he claimed, the modern approach did not achieve its desired end. In his final exhibition, 'Sparta – Sybaris' (1987), Rudofsky reiterated this criticism, contrasting the ascetic styles of Sparta with the ostentation of Sybaris. He disapproved of a modern architecture which, by attempting to rationalize social well-being, neglected the fundamental needs of the individual. In Tibor Scitovsky's final book, *The Joyless Economy* (1976), the Hungarian-born American economist (1910 – 2002), mentions Rudofsky when illustrating the problems that occur when man ceases to be the measure of all things and, instead, becomes subordinate to the exigencies of a society's economy. Like Rudofsky, Scitovsky analysed modern consumption in terms of the psychology of comfort and pleasure, and criticized an economy which, while claiming to improve the individual's quality of life, ended up treating luxuries as a necessity so as to facilitate mass production. By exploring Rudofsky's critique of modern architecture, this paper offers a novel interpretation of Scitovsky's critique, and proposes a new response to the accusations of paternalism that were levelled against him.

SUN3B – Rm. 248      ADAM SMITH

### **Adam Smith, Vanity, Luck, the Invisible Hand, and Economic Growth**

**Maria Pia Paganelli**

What are the causes of prosperity? In addition to saving and capital accumulation, Adam Smith explains opulence through vanity and luck, two variables we tend to forget today. For Smith wealth come from our propensity to better our condition, combined with freedom and security of the law. The propensity to better our conditions is grounded in our vanity taking the form of both parsimony and prodigality. The laws that guarantee freedom and security seem to be more an accident of history than deliberated attempts to create prosperity. For Smith, vanity and luck play therefore a relevant role in economic growth.

### **Locating Adam Smith in the History of Moral Philosophy**

**Jeffrey Young**

Adam Smith's place in the history of moral philosophy is not easy to establish. Traditionally he seems to have been treated as a classical utilitarian in the Benthamite tradition. As such he has not been viewed among the front rank of moral philosophers and his theory was not much studied until the last third of the 20th century. More recent interpretations have placed him among the newly regenerated class of virtue ethicists. However, very little has been done to uncover Smith's influence on Kant's moral philosophy. Following this suggestion, as well as Samuel Fleischacker's work on Smith and Kant, in this paper I will argue that Smith really belongs with Kant as a deontologist.

### **Laissez Faire and the Rationality of Nature: A Critique of Michel Foucault's Interpretation of Adam Smith**

**David Andrews**

In his lectures on the origins of "biopolitics," Michel Foucault focuses on the reconfiguration, beginning in the eighteenth century, of the role of the market vis-à-vis the sovereign power, in which the principle of laissez faire became a persistent political challenge to excessive governmental control.

Adam Smith's *Wealth of Nations* plays an important part in Foucault's account as a leading voice in favor of laissez faire. According to Foucault's reading, Smith adhered to a strict policy of laissez faire based on the idea that spontaneous, unobstructed and rational pursuit of individual self-interest is in accordance with the dictates of nature. Foucault's interpretation is noteworthy due, not only to his extraordinary influence across a number of disciplines, but also to his attempt to support with textual evidence an argument that is typically taken for granted.

Economists have long argued that Smith did not advocate strict adherence to laissez faire, allowing, at the least, for numerous exceptions. This paper examines the passages Foucault cites in favor of his interpretation and those that stand against it.

But if, as the paper finds, Foucault's argument does not stand up to critical scrutiny, the question arises whether or not Smith was simply inconsistent. The paper suggests an alternative explanation, according to which Smith advocated government intervention in the economy reinforcing the rationality of nature, which, according to Smith's Aristotelian position, was directed toward the self-preservation of individuals and the reproduction of species, and opposed intervention when it contradicted nature's purposes.

**SUN3C – Rm. 341      POVERTY, CHARITY AND INCOME ASSISTANCE**

**Universally Basic: An Ethical Defense of Universal Basic Income**

**Edward Teather-Posadas**



Radical issues require a radical solution. If we are to combat the widening inequalities in our current economic paradigm, revolutionary thought is needed. We can find one such source of revolutionary change within the call for a universal basic income (UBI). While often deemed a utopian fantasy, a UBI now lies within our grasp. We need only to make the moral and ethical choice to embrace it. Defenses of a UBI have come from every political quarter, from the staunchest libertarians to the most egalitarian liberals. Here is presented an argument for UBI based upon a recognition of the dignity of the human condition. Drawing upon the work of a diverse cast of thinkers from Adam Smith and Martha Nussbaum to Paul Goodman and John Kenneth Galbraith, amongst others, UBI can be shown to support a level of universal basic human dignity that allows for an agency and a capacity for a wide-range of capabilities, otherwise stifled in our current socio-economic regime.

### **Alexis de Tocqueville on poverty and assistance programs**

**Jimena Hurtado**

Alexis de Tocqueville is well-known for his insights in the advantages and risks of democracy. In particular, his analysis of the democratic revolution and the passion for equality, show how a new tyranny might arise when democratic citizens voluntarily renounce their freedom. In this paper I concentrate on another phenomenon Tocqueville studies: pauperism. A new type of relative poverty touching the industrial class arises, threatening social order and depriving its members of the benefits of the democratic age. As member of Parliament, Tocqueville warns in his discourses about the threats this phenomenon represents in terms of social and political instability and he also takes issue with some public assistance programs proposed in the day.

Tocqueville opposes the possibility of establishing a right to work, and he denounces the negative effects of what he calls public or legal charity. Analyzing these views it is possible to show how Tocqueville pointed at the social question in a way that underscores the effects of poverty on social and political stability, and, especially on freedom.

### **Charity and Usury: A Study in the Comparative History of Ideas**

**Ayman Reda**

Since the onset of modernity, we seem to have gradually lost the primordial link between charity and usury, a connection that, to past traditions of thought, was considered usual and crucial. To these traditions, and especially in the cases of Christian and Islamic scholarship, it was typical to contrast usury to charity, with the latter usually presented as the superior alternative to the former. There was a general opprobrium attached to usury and all

actions that bore elements of usurious lending, while charity was normally praised for its exceptional qualities and significance. While the practitioners of usury were constantly admonished in the strictest of terms, those of charity were glorified for their kindness and selflessness. In short, usury was considered a system of oppression and exploitation, and charity one of mercy and justice. The purpose of this paper is an attempt at recreating this state of mind that views usury in relation to charity, and vice versa. It is my conviction that this approach to understanding usury and charity will enlighten us to aspects of both concepts that have been consistently overlooked in the relevant literature. The paper provides a brief intellectual history of each concept separately, followed by an examination of the connection between the two from the perspective of different schools of thought. We focus on the Christian and Islamic viewpoints, as well as the opinions of Greek philosophers and secular schools of social and economic thought.

### SUN3D – Rm. 214 PUBLIC FINANCE, FISCAL POLICY AND MACROECONOMICS

#### **Public Finance and the Origins of Fiscal Policy in the United States**

**Marianne Johnson**

While professional economists had been involved in government economic planning during the First World War, the role for specialists expanded significantly during the early years of the Great Depression. The New Deal and associated policies precipitated a significant shift in the perspective on public finance, which had long only focused on tax incidence and revenue raising. The vast expansion of federal government spending during the New Deal opened the door to considerations about expenditures and taxation as a form of economic planning. The outbreak of the Second World War ignited significant debate about how to pay for military expenditures. These expenditures – much like New Deal programs – posed a challenge to traditional views of taxation because they did not fit neatly into the traditional categories of taxation based on ability-to-pay or benefit.

‘Inclusive taxation,’ ‘managing the economy,’ and ‘fiscal policy’ rapidly became buzz words in the profession. The terms originated in several disparate sources. In public finance, it was predominantly an Institutionalist argument that government could use tax policy to achieve social goals. Similar ideas had also begun to circulate in macroeconomics, influenced by Keynes and the planning literatures. The term ‘fiscal policy’ dates to the 1890s and is used exclusively in the American literature with reference to tax and tariff policies into the 1920s. Google Ngram indicates that the incidence of use of the phrase “fiscal policy” was stable and rare until 1939, when usage begins to rise dramatically. At this time, a number of universities

began to offer courses in fiscal policy in their graduate programs, including Columbia (1938) and Harvard (1937). Henry Simons had established a Chicago version of the course in 1934.

This paper considers the public finance origins of fiscal policy in the United States. I trace the use of the term “fiscal policy” from the mid-1800s through 1945 in the literature, considering how its definition evolved over time. Early course work in fiscal policy is examined and the influences from public finance, macroeconomics, and monetary policy are weighed. The influence of Keynesianism and Institutionalism are both considered along with the influence of the planning literatures. This paper is a contribution to the on-going reassessment and re-evaluation of 20th century economics, with a focus on two issues: (1) the evolution of public finance to public economics, and (2) “Das 1940s Problem” (Weintraub 2013), or what happened during the 1940s that caused economics to shift from pluralism to neoclassical dominance.

### **The impact of the Phillips curve in the Brazilian inflation debate during the 1970s and the 1980s**

**Jéssica Nascimento, Danilo Freitas Ramalho da Silva and Ramón Vicente Garcia Fernandez**

The paper describes how the Phillips curve model was incorporated into Brazilian inflation theories and academic debates during the 1970s and the 1980s. A persistent rise in inflation rates characterized those years, and different explanations were advanced to understand it. Among those accounts, a group of Brazilian economists linked to the academic environment of the US proposed some analytical contributions based on the Phillips curve models. This result could reasonably be expected, both because the Phillips curve was a model largely used worldwide in those years, and because an increasing number of young Brazilian economists had gone at that time to study at graduate level in the US in the context of an increasing professionalization of Brazilian academic Economics. This process has scarcely been considered by the historians of economic thought. This should not be the case, since the insertion of the Phillips curve models in the academic debate proposed by Brazilian monetarists caused a considerable impact in the community of economists. The main criticism that these models received suggested that they lacked contact with the Brazilian economic and social reality of the time, specially because of the omission in those models of a fundamental institutional feature, the wage policy rule. Besides explaining how the idea traveled from developed countries to the Brazilian economic and academic scenarios, the paper will also highlight the political and institutional background of the time, characterized by the occurrence of a military dictatorship.

### **“Is God a Mathematical Economist?”: Some Thoughts on RBC and DSGE Macro Models and General Equilibrium Theory from the Vantage Point of the Peirce Conjecture**

## James Wible

Recent general equilibrium theories in macroeconomics are interpreted from the vantage point of C. S. Peirce's mathematical evolutionary cosmology here termed the Peirce Conjecture. The Peirce Conjecture was referenced in Nobel Physicist Eugene Wigner's (1960) famous essay on the effectiveness of mathematics in the natural sciences. The effectiveness of mathematics was raised more recently by cosmologist Mario Livio (2009) in his book *Is God a Mathematician?* Since general equilibrium theory and its recent macro versions, RBC and DSGE models, may be the most mathematical theories in all of economics, the philosophical issues raised about mathematics and mathematical physics in general are here raised for these mathematical macro theories. Preliminary conclusions seem to point toward an intermediate position where the greatest theories of mathematical economics may not be as effective as those of the sciences, but still be an important intellectual pursuit in the discipline. Similar to Einstein (1921) who emphasized the difference between formal-axiomatic and "practical" geometry, Peirce would have no doubt been interested in general equilibrium theory as the most advanced mathematical theory in the discipline, but also have emphasized the need for a very mathematical, but "practical" approach to macroeconomics.

### SUN4A – Rm. 211    INTERVENTIONISM: THE LONG VIEW

#### **Condillac: Animal Economy and Economic Interventionism** **Giovanni Grandi**

In *Commerce and Government* (1776), Condillac argues that the welfare of a country is promoted by the removal of barriers to free enterprise and free trade. Government's various "blows" against the freedom of commerce – such as taxes on consumption, monopolies, cartels, trade barriers, price controls, currency manipulations, public debt, and wars – only benefit a few privileged people who are politically connected. Economic interventionism leads to an unhealthy and "excessive" multiplication of needs in the group of people privileged by these measures. This multiplication of needs is manifested by the rise in the consumption of luxury products. On the other hand, economic interventionism pushes back the majority into a sort of animal economy, where they are constantly threatened by poverty and starvation. Thus, policies of economic intervention exacerbate social inequalities. The unhealthy and excessive multiplication of needs, manifested by a taste for luxury, should be contrasted with the healthy development of needs that characterizes the rise of humans above the mere level of animal economy described by Condillac in the *Treatise of Animals* (1755). While animals keep to their subsistence economy, humans develop a system of division of labour in order to satisfy their

various needs. This paper will consider of Condillac's views on the development from animal to political economy.

### **Father Knows Best: Samuelson and the Social Welfare Function**

**David Coker**

Samuelson's "Social Indifference Curves" (1956) was an ambitious, and quite important, attempt at problem-solving. But welfare analysis in economics has turned a number of corners since — what is there to gain from approaching this article today? An overlooked aspect of Samuelson's presentation is its reliance — quite complete reliance — on the metaphor of the family. Internal family dynamics, in fact, "solve" the problem the paper addresses. Can the metaphor be dismissed as simply the excuse for the mathematics? Or does it tell us something interesting about the essentially hierarchical nature of Samuelson's view of society and the role of government? Is this view consistent with experiences rooted in wartime planning? Might it even have colored appraisals of economic performance in the then Soviet Union? The paper seeks to explore the underlying coherence across these diverse questions.

### **Is J.K. Galbraith's 'Countervailing Power' Hypothesis Empirically Valid?**

**Jordan Brennan**

This paper explores the empirical validity of J.K. Galbraith's 'countervailing power' argument. Two explanatory variables—institutional power and distributive conflict—have played an integral role in the shifting patterns of American income inequality since the late nineteenth century. The 'commodified' power of large firms, manifested in aggregate concentration and the markup, exacerbates inequality while the 'countervailing' power of organized labor, manifested in union density and strike activity, mitigates inequality. One implication of this research is that American income inequality is unlikely to diminish unless the labor movement (or a comparable social movement) is strengthened.

**SUN4B – Rm. 248      MEASUREMENT AND THEORY**

### **Measurement without Theory: Irma Adelman and Factor Analysis**

**Marcel Boumans**

Development economics in the 1950s and 1960s was a "groping in the dark." This characterization is that of Milton Friedman. It was just part of Friedman's wholesale denunciation of the Cowles Commission research program, according to which a model must be

constructed for an economy as a whole, but this requirement runs up against limited information and understanding of the “dynamic mechanisms at work,” restrictions made worse by “limitations of resources – mental, computational, and statistical.” Besides the limited knowledge of dynamic mechanisms, the lack of data was a severe problem for any attempt at modeling, whether macroeconomic, input-output or in the tradition of national income accounting. Adelman developed her own approach to modelling: factor analysis. The 1950s and 1960s was the period in which the “scientific” standards for empirical economic research were set by the methodology of the Cowles Commission. This methodology is characterized by hypothesis testing, which implies a deductive methodology starting from a priori theoretical assumptions. This approach was expressed most strongly in Tjalling Koopmans’s review article ‘Measurement without Theory.’ Due to the dominance of the Cowles Commission view, any other kind of empirical research was considered to be less scientific. That included the work of Adelman. Adelman’s inductive methodology could rightly be called “measurement without theory,” in the sense that there was no economic theory that could help her organizing the messy, and often unreliable data. Adelman was one of the first economists who showed how empirical research of economic development could be widened in scope to include non-economic issues, a widening in scope that has become a more accepted scope since the 1970s.

### **Measuring Development?**

**Mary Morgan, Maria Bach**

Economic measurements good for scientific purposes are not necessarily good for policy reasoning, political purposes, or popular usages. And there are trade-offs or tensions between different forms of statistics, usable for different purposes, by these different communities. These differences are particularly evident in the history of measuring development, and in the switch from earlier forms of aggregate measurements to the dis-aggregated array of the UN’s Millennium Development Goals. The structure of ‘goals, targets, and instruments’ found in the UN’s current Sustainable Development Goals looks very strange as a scientific measurement project, but fits quite naturally both into the history of how the UN has used ‘goals’ and ‘targets’ to attain specific outcomes and policy ‘measures’ (not measurements) to prompt ‘development’, and into the ways in which the UN engages with, and uses, partner communities. Issues of valuation have proved key - for measuring development, for knowledge about the causes of under-development, and for possibilities of policy intervention, and these have changed along with the changing recipes and fashions of thinking about economic development over the latter half of the twentieth century.

## **What an abstract-based conception of theory did to (for) economics: Scientific legitimacy, boundaries and accumulation of knowledge in the context of the Econometric Society and the Cowles Commission (1930-1960)**

**Camila Orozco Espinel**

Kenneth Arrow, in 1983, started his presentation for The Cowles Fiftieth anniversary celebration by asking: “In what sense can we isolate the contribution of any individual or institution in the development of the economic analysis?” Arrow’s answer: “no research institution is an island entire of itself” (K. J. Arrow 1983, 1). Closing here the paraphrase of John Donne’s XVII Meditation, Arrow continued: “Cowles is not and was not a group isolated from the mainstream economics, and its contributions are today inextricably mingled with other currents”<sup>2</sup>. Yet, the contributions of the scholars associated to Cowles were fundamental for a very specific process. Indeed, during the 1930s, 1940s and 1950s, in the context the research center the economics confirmed its credentials as an abstract form of knowledge deeply dependent on a priori elements and mathematics. The committed of a group of scholars associated to Cowles to an abstract-based conception of theory (in contrast to an empirically-based conception theory) was central to this process.

In this article I argue that this process was fundamental for economics to achieve two very specific disciplinary goals. First, it was crucial for the discipline’s claims of scientific authority. Second, it was important for the cumulative development of a research project - besides its unworldly and provisional character. These two elements were essential for economics to forge an accommodation in the postwar environment and for group cohesion purposes.

To analyze these processes, this paper focuses on three episodes: the preambles of the Econometric Society (session II); the Measurement Without Theory Controversy (session III) and Koopmans’s Three Essays on the State of Economic Science (session V). The first two episodes are important to understand the process throughout economics assured its credentials as an abstract form of knowledge deeply related to mathematics. Elements related to economics’ pursuit of scientific legitimacy are central during these two episodes. The third episode opens the possibility to study the set up of the guidelines of a long-term research project. The idea is to show how during these each episodes the confrontation of an abstract-based conception of theory and an empirical-based conception of theory was as much an intellectual affair as a practical problem. The paper starts by framing the discussion in the US trust in numbers context and by briefly introducing institutional approaches, associated to the empirical-based conception of theory.

## **Empirical Research on Immigration in the U.S., 1870-1930**

**Don Mathews**

Economists played a significant role in the public debate over immigration in the U.S. in the decades between 1870 and 1930. The economists were as divided over immigration as the public: their debates were spirited and at times heated. Empirical research became crucial to the debate. This paper explores the contemporary empirical research on immigration in the U.S. in the decades between 1870 and 1930 and how economists deployed empirical findings in the debate over immigration.

## SUN4C – Rm. 213    20<sup>TH</sup> CENTURY TAXATION

### **Canada's Forgotten Centennial: 100 years of income taxes in Canada**

**John Stapleton**

Canada implemented its first direct taxation on income in 1917 to pay for climbing World War I debts and to implement a costly program of mandatory conscription. Faced with the loss of liquor tax revenues on the eve of prohibition, the Borden government, with the support of Sir Wilfred Laurier's opposition, believed it had no choice. And as the government did not know when the war would end, there was no sunset clause placed on the new tax regime. This paper chronicles the beginning of a Constitutionally enshrined fiscal imbalance that continues to this day. The repatriation of Canada's Constitution in 1982 with 5 amending formulas was designed to facilitate made-in-Canada solutions. However, it achieved the exact opposite while Canada lost the capacity to negotiate with itself as the failures of the Meech Lake and Charlottetown Accords amply prove. The paper argues that the framers of the original Constitution (the BNA Act of 1867) could never have known that direct income taxation would become law 50 years later. But with the incapacity of a decentralized nation to 'amend its amending formula', the only remaining option is to revive another moribund institution: The Royal Commission. The last Royal Commission on Taxation issued its report 50 years ago and Canada's current hiatus between Royal Commissions of nine years has no precedent since 1902. The paper argues for a new Royal Commission that would suggest a new and workable amending formula for the Constitution and a realignment of taxation power.

### **A Bank System to Forestall Improperly Earned Income Tax Credits.**

**Anthony Crawford**

This discussion paper examines need for taxpayer protection more than the IPERA – Improper Payments Elimination and Recovery Act of 2010 provides as the US Treasury



Inspector General for Tax Administration (TIGTA) reports some \$150billion improperly Earned Income Tax Credits (EITC) from 2003 through 2013.

The study is based on the 'Acquire-to-Distribute' business model as a research method to illustrate EITC cash flow and bank system dataflow combined. The analogy follows government tax-pass-through payments offset to revenue shortfalls in Central Bank public account balances separate from Retail and Investment private account balances isolated by dissimilar account numbers and bookkeeping methods.

Bank data analysis illustrates financial breakdown that locates a tax loophole in revenue reporting. Bank process analysis proves the difference that EITC payment transaction numbers in public accounts are not the same as EITC receipt transaction numbers in private accounts and where and how the tax-loophole becomes an accounting problem.

### **Western Canada's Taxing Land ex Buildings, 1890-1920, and its International Demonstration effect**

**Mason Gaffney**

**SUN4D – Rm. 341 JS MILL**

### **J.S. Mill and Ireland's 'Land Question': An illustration of his views on social institutions**

**Laura Valladão de Mattos**

It is argued that J.S. Mill's position in the debate over the 'Land Question' in Ireland can be best understood from the viewpoint of his theory of institutions. He thought that, to be adequate, institutions should promote progress – that is, human improvement, a rise of economic productivity and the increase of social justice – without endangering social order. The prevalent form of land occupation in Ireland – the cottier system – did not fulfil any of these requisites, and was an important obstacle to amelioration. It was at the root of Ireland's low state of moral and economic development and of the social and political tensions that endangered the social order. Thus, in Mill's evaluation, it should be eliminated. The alternative of transposing to Ireland the 'English model' of capitalist agriculture was, notwithstanding, rejected. This institution could eventually solve the economic problem, but involved the unjust eviction of tenants (aggravating social and political tensions) and would not contribute to the desired regeneration of the Irish character. Given the historical, cultural and political particularities of Ireland, Mill endorsed peasant property as the most suitable form of land appropriation. Its introduction would, at once, improve the character of the people, enhance productivity and increase the degree of social justice of the system. It would also mitigate social and political conflicts that jeopardized social order.

## **J.S. Mill and the universality of the “desire of wealth”**

**Philippe Gillig**

This paper deals with a debate about the universality of the “desire of wealth” in John Stuart Mill’s thought, which occurred in the literature about fifteen years ago, when Samuel Hollander and Sandra Peart published in 1999 a criticism of Abraham Hirsch’s and Neil B. De Marchi’s interpretation of Mill’s methodology. I for one argue that Mill’s viewpoint on the issue of the central axiom of political economy was not immutable over time. This article thus constitutes a rejoinder to the Hirsch–De Marchi versus Hollander–Peart debate. In particular, it shows that the protagonists mentioned above all neglect the fact that Mill, in his writings subsequent to the 1836 Essay entitled “On the Definition of Political Economy...”, progressively put forward a second central hypothesis, which is not a behavioural one but an institutional one, namely “competition”. Indeed, Mill’s *System of Logic* (1843) introduces an additional degree of relativity by specifying the institutional context that makes possible the free pursuit by individuals of their desire for wealth, namely competition. Later, the *Principles of Political Economy* (1848) put forward another relativizing concept relative to institutions: custom. In doing so, Mill did progressively circumscribe the validity of the behavioural axiom. Once this element is heeded, one may, on the one hand, explain why commentators could not reconcile and, on the other, highlight Mill’s growing relativist stance concerning economic laws.

## **A Steady State of Progress: Predictions for the Working Classes in Mill and Marx**

**Quinton Bara**

With the exception of a few authors, the many similarities between John Stuart Mill and Karl Marx have been given little attention in the history of economic thought. The common theme of progress in Mill and Marx has been noted, however few authors consider the paths of progress Mill and Marx predicted. A specific omission in the discussion is the importance of cooperative associations as a vehicle of progress. Marx’s theory of history—moving from primitive communism, through capitalism, ending in communism—relied on cooperative associations acting as conduits to communism. A similar process holds for Mill. After the famed stationary state, Mill argues that cooperatives are more likely to take root and eventually subsume capitalist production. In this paper I argue that a closer look at the role of cooperatives in Mill and Marx will be a helpful contribution to the study of the history of economic thought and pressing contemporary issues such as inequality. Compared to proposed policies such as a global wealth tax, I argue, cooperatives attack a major source of inequality by eliminating the antagonistic, hierarchical structure of traditional firms rather than reducing adverse effects of inequality through taxation.

**The Introduction of Rational Expectations into Macroeconomics in the 1970's: reasonability versus operationality of the hypothesis****Danilo Silva**

This paper describes the introduction of rational expectations into macroeconomics in the 1970's, focusing on the methodological discussion over the reasonability versus the operationality of the hypothesis. This introduction can be attributed specially to the works of Robert Lucas, Thomas Sargent and Neil Wallace in that period, which impacted both theoretical and econometric macro modeling. I will show that this introduction was criticized in methodological grounds mostly for not being reasonable to describe macroeconomic phenomena. On the other hand, the methodological defense of the hypothesis was based on its operationality to deal with the same macroeconomic phenomena. This methodological divergence exposes the change that was happening in macroeconomics in the 1970's, with the emergence of new classical macroeconomics and its challenge to the Keynesian paradigm. I will also show, then, that the old Keynesians remained skeptical about the use of rational expectations in macroeconomic models during the whole decade while the new Keynesians promptly incorporated it into their models, revealing a methodological divergence inside the Keynesian field too.

**Dueling Presidential Addresses: The Keynesian Response to Milton Friedman's "The Role of Monetary Policy"****Robert W. Dimand**

Milton Friedman's December 1967 AEA presidential address (AER, March 1968), making the case for rules rather than discretion, was considered by James Tobin and others as the most influential AEA presidential address ever given, particularly its brief passage on what Friedman termed the natural rate of unemployment, a passage that came to be read as propounding a vertical long-run expectation-adjusted Phillips curve trade-off between inflation and unemployment. Two other future Nobel laureates devoted their AEA presidential addresses to presenting the Keynesian alternative to Friedman's vision of the possibilities for macroeconomic stabilization and reduction of unemployment: James Tobin's "Inflation and Unemployment" (AER, March 1972), and Franco Modigliani, "The Monetarist Controversy, or Should We Forsake Stabilization Policies?" (AER, 1977).

This paper examines the Keynesian analysis and policy prescriptions put forward in those addresses, in the context of the long series of critical exchanges that Tobin and Modigliani had with Friedman. The addresses by Tobin and Modigliani, once widely-reprinted

and influential, lost influence in part because of focusing on specifically monetarist policy proposals tangential to the natural rate hypothesis and subsequent Keynesian/New Classical debates: the last section (before the conclusion) of Modigliani (1977) was entitled “Why Constant Money Growth Cannot Be the Answer.” This loss of influence has diverted attention from the still important and timely message of these addresses that, as expressed by Tobin (1972), “irrationality ... is not logically necessary for the existence of a long-run Phillips tradeoff. In full long-run equilibrium in all markets, employment and unemployment would be independent of the levels and rates of change of money wage rates and prices. But this is not an equilibrium that the system ever approaches. The economy is in perpetual sectoral disequilibrium even when it has settled into a stochastic macro-equilibrium.”