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HISTORY OF ECONOMICS SOCIETY
Announcement
of the
Fifteenth Annual Meeting
and
CALL FOR PAPERS

The 1988 meeting of the History of Economics Society will be held from June 19-22 at the University of Toronto.

Proposals for papers should include the author's name, telephone number, and institutional affiliation; the title of the paper; and a brief abstract of the paper not to exceed 200 words. Prospective discussants should state their areas of interest. Proposals to organize three-paper sessions are also welcome.

Proposals and suggestions should be sent by October 30, 1987 to the President-elect, Donald E. Moggridge, Department of Economics, University of Toronto, 150 St. George Street, Toronto, Canada M5S 1A1.

William O. Thweatt
Editor

Stockton Press sent me considerable material on *The New*
Companion to the Dictionary of Economics. Unfortunately it was too lengthy
to include in the *Bulletin*. Let me just say that the four volumes will
be published in 1987, and is available from Stockton Press for
\$55.00 in Japan, and from Macmillan Press for the four volumes is US \$580.
The rest of the

ANNUAL MEETING HISTORY OF ECONOMICS SOCIETY

Harvard School of Business
Boston, Mass.

June 19-22, 1987

Abstracts of Papers Presented

SESSION A-1: Some Swedish Contributions I

Gustav Cassel: the economist as popularizer
Lars Magnusson
Dept. of Economic History, Uppsala, Sweden

Among the first generation of Swedish economists in the 20th century and as a forerunner of the Stockholm school of Economics Gustav Cassel (1866-1944) is commonly regarded as a second rate figure, clearly behind for example Knut Wicksell and David Davidson in theoretical brilliance and originality. It is the aim in this short essay to point out that Cassel's major contribution to the development of economics was as a popularizer and not as a theoretical innovator. As such he probably played a major role in defending and pursuing the usefulness of analytical economics for economic policy purposes. Especially with regard to monetary and stabilization policy issues he was able - in the 1920s - to convince politicians etc that economists had access to a certain type of know-how based on an analytical foundation. In this way he paved the way for the remarkable success of economics since the 1930s - at least in a Swedish context.

An Unpublished Manuscript by Knut Wicksell: A Comment Bo Sandelin University of Goteborg, Sweden

This paper consists of a comment on one of Wicksell's unpublished manuscripts, followed by that manuscript. The manuscript has no title and is not finished. It is probably written between 1898 and 1902, and can be regarded as a link between Wicksell's approach on capital theory in his nineteenth century books and his approach in the second edition of *Lectures* and on. From the former we recognize the basic structure of the model, from the latter the treatment of interest and the concept of capital. There is no information telling us when the manuscript was written, but it might have been interesting to see the HESC

Abstracts

Some Swedish Stepping Stones to Modern Macroeconomics
K. Velupillai
Aalborg University, Denmark and UCLA

Abstract not received

The Stockholm School after 50 Years: An Attempt at Appraisal
Lars Jonung
University of Lund

Abstract not received

SESSION A-2: Classical Economics I

The Role(s) of Ricardo's Invariable Standard(s)

Terry Peach
University of Manchester

Abstract not received

The Role of the Profit Rate in Mill's Theory of Interest
Michael Gootzeit
Memphis State University

J.S. Mill is considered a "classical" economist by all historians of economic thought. Yet, his theory of interest is *not* classical, in the sense which Keynes made famous in chapter 14 of the *General Theory*. This paper shows that Mill had both a long and a short run theory of interest that were "real." The long run theory is left vague; one can only tell that Mill did not agree with Ricardo that the profit rate was the major cause of variations in the "natural" interest rate. The "short run" theory of interest, the one to which Keynes was referring, was more clearly constructed by Mill. He asserted that the gross, not the net, profit rate did play a role in causing the "market" rate to change.

James and John Stuart Mill on Comparative Advantage:
Sraffa's Account Corrected
William O. Thweatt
Vanderbilt University

James Mill is generally regarded as not being a good economic theorist. To support this position it has been noted that in his *Elements* there is an error in dividing the gains from trade in the discussion of comparative advantage. This paper maintains that the error was not that of James, but of his son, Stuart, who in his *Essays* said Ricardo had made the error. Sraffa's account stated that the error was corrected by John Mill in the 3rd edition of the *Elements*, but this overlooks John's famous example inserted in the 2nd edition wherein the original error was repeated. Consequently it appears the error was that of John, and the correction made by his father.

The Scottish Political Economy Tradition as a Mode of Thought
Sheila C. Dow
University of Stirling

Economic methodology, theory and policy are fundamentally influenced by the underlying mode of thought. Differences in mode of thought can thus be used to explain differences between schools of thought. This paper attempts to offer one alternative to the current orthodox mode of thought by means of a case study: the Scottish political economy tradition. This tradition took its character from the style of reasoning engendered by the Enlightenment, and the moral and practical, to which that reasoning was addressed. The tradition exemplifies a mode of thought which can be classified as relativist at the methodological level and rationalist at the theoretical level.

SESSION A-3: Neoclassical Economics I

Alfred Marshall on Human Betterment

David A. Reisman
University of Surrey and University of Manchester

The present paper is concerned with Marshall's diagnoses and speculation with respect to social progress. The first section of the paper is concerned with want-satisfaction, and seeks to document that economic growth in the quality of life meant not merely rising standards of living but an improvement in the quality of consumables demanded - a movement from alcohol to tea, as he put it, to one place. The second section is concerned with conduct and character. It argues that Marshall believed that man was a creature of his circumstances and character, and that affluence would therefore be accompanied by more and more of the virtues which he valued - honesty, respect for persons, the pursuit of excellence, generosity, and so on. The third section is concerned with the legitimacy of the economic growth which was their cause. The final section of the paper returns to the negative order of growth and considers topics such as the wastefulness of fashion, the decay of the family, excessive speculation, cut-throat competition, and restrictive practices. Marshall was aware of these costs but felt that they were far less important than the benefits.

Abstracts

Marshall's and Pigou's Policy Prescriptions on Unemployment, Socialism, and Inequality
Nahid Aslanbeigui
Tulane University

Pigou's economic analysis has often been viewed as an embodiment of an extension of Marshall's. This paper finds Pigou's policy proposals non- or at times anti-Marshallian. Marshall's pronouncements reflect a strong belief that economic freedom leads to the eradication of poverty and that socialism and/or government intervention may do more harm than good by creating a variety of disincentives. Marshall's policy proposals are hence to reinforce the smooth operation of the markets. Economic freedom, for Pigou, leads to the wasteful allocation of resources and to poverty. Therefore, to improve the workings of the market forces, he proposes extensive interventionary measures which in his belief do not create strong disincentive effects.

SESSION A-4: Realism vs. Idealism in the History of Economics

The Spurious Symmetry Between Neoclassical Theories of Production and Consumption
Philip Mirowski
Tufts University

This paper takes off from a number of my published articles which argue that the genesis of neoclassical economics can be explained as the appropriation of a mathematical metaphor from the physics of the mid-19th century. In this paper, I discuss the fact that there is no room in the physics metaphor for the classical concept of production, which explains the temporal sequence of the development of "consumer" theory prior to "production" theory. Much effort has been expended by neoclassicals in the ensuing century to incorporate a plausible representation of production into the ambit of neoclassical theories of production. This paper surveys all the attempts in a historical context, and so much so that there is not one, but at least seven distinct neoclassical theories of production. This paper surveys all the attempts in a historical context, and spends particular effort on the most respected modern version, the "symmetry" thesis. Upon critical examination, one is led to conclude that there is no satisfactory neoclassical production theory which may be fully reconciled with the original physics "consumer" model, and hence various critics over the last century have been correct when they maintain that the theory of production is an Achilles' Heel of neoclassical economics.

Ontological Imputations and the Hard Core
Randall Bausor
University of Massachusetts
Abstract not received

Dialectical Idealism in the Methodology of Marx and Keynes

Tracy Mott
University of Colorado, Boulder

Since we can't know "reality" except by means of a point of view, "paradigm," science does not progress by moving towards "reality" but by criticizing ideas. The method by which ideas reveal themselves to be inadequate and to pass into other ideas is the dialectical method, as practiced by Hegel among others. I argue that this was the method by which Marx sought to "supersede" (Hegel's *aufheben*) classical economics and Keynes to "supersede" neoclassical macroeconomics. Shortcomings in the work of each are seen as the result of a failure to follow out the logic of the questioning of earlier work in favor of reimposing some aspect of the criticized conception.

SESSION A-5: Monetary Theory

Patinkin and the Real Real-Balance Effect

Paul B. Trescott
Southern Illinois University, Carbondale

As noted by Mishan, Patinkin has presented two different versions of the real balance effect. One, which we term the wealth-induced effect, is theoretically rigorous but empirically unimportant. The other, the disequilibrium effect, is difficult to formulate rigorously, but may be quite important empirically. Patinkin's role as historian of economic thought is somewhat impaired by the ambiguity of the two effects. The disequilibrium version is shown to be the more traditional; we note the clear statement of it in Keynes's *Treatise*, unaccountably neglected by Patinkin. Many people have also claimed to find the disequilibrium version in Friedman, despite his denials.

A PostKeynesian Anecdote: The Radcliffe Central Bankers

Nancy J. Wulwick
California State University at Sacramento

We expect central bankers to be monetarists because they control the money supply. This essay, which analyses the testimony of the English central bankers to the Radcliffe Committee on the Working of the Monetary System (1957-58), challenges this expectation. Based on their experiences in the 1950s, the central bankers thought that (1) it was impossible for the Bank permanently to control the money supply by means of open market operation because it acted as a source of the last resort; (2) the Bank controlled the rate of interest, but the demand for credit was interest-inelastic; (3) the Bank permanently could control the flow of bank credit, but such control would be offset by flows of nonbank credit. The essay argues that the central bankers' testimony provides an authoritative source for postKeynesian economics.

Abstracts

The Liquidity Preference Loanable Funds Interest Rate Controversy With An Interpretation Of The Liquidity Preference Loanable Funds Interest Rate Theories

Mark A. Nadler
State University of New York, Fredonia

Beginning with its initial publication in the *General Theory*, Keynes' liquidity preference theory of interest has been a topic of debate among economic scholars who are concerned with both the theoretical correctness of the *General Theory* and Keynesian monetary thought. The substance of the controversies surrounding various liquidity preference models has dealt primarily with the relationship between the money and loanable funds markets. This paper analyzes one select vein of the above controversy, and attempts to enunciate a meaningful and important distinction between the liquidity preference and loanable funds approaches which is independent of market arguments.

SESSION B-1: Some German Contributions

The Entrepreneurs, Property-Rights, and Transaction Costs in the German Classical Theory

Dieter Schneider
Ruhr-Universität at Bochum (Federal Republic of Germany)

In attempting to explain the firm as an economic institution coordinating individual plans by entrepreneurial functions some predecessors of the Schumpeterian and Modern Austrian entrepreneur, the property-rights and transaction cost analysis have to be discovered in German Classical Theory (1805-1871). The entrepreneurial function of reducing uncertainty of income have to be connected with problems of organizing firms by Riedel and von Mangoldt, who also anticipates severe arguments against Coase and Williamson. Riedel and von Stein worked out a contractual theory of the firm. Marlo and Schäffle discussed the pros and cons of different forms of organizing labor and capital.

On Designing an Economic Order The Contribution of the Freiburg School

Heinz G. Grosseckler
University of Munster

The Freiburg School was a group of German neoliberal economists and lawyers who developed guidelines in the 30's and 40's based on economic theory for the creation and preservation of an economic order and for a system of laws to support that order. Their concept, a positive program for a system of socially aware market competition, is called "Ordoliberal." They tried to implement this program in post-war Germany and had a special theory of implementation. The paper describes the genesis and membership of the School, the program and the strategy of its implementation, the place of the School in the history of economics, and the weak points of the conception. Finally, it sketches a way to develop the concept further.

Werner Sombart's Theory of the Business Cycle
Jürgen Backhaus
Rijksuniversiteit Limburg

In this essay, I have shown how Sombart went about developing a theory of the business cycle. He insisted that for every different economic system there must be a separate theory of macroeconomic activity. Although his effort lay in developing a theory of high capitalism, in the face of the economic depression of 1929-32 he extended his work to include the capitalist economy or "late capitalism"! This systems theory, while fairly abstract, was nevertheless able to rely on in drawing very specific economic policy conclusions in terms of criteria a credit financed state sponsored employment program had to meet. Historically, there is a considerable correspondence between these proposals and German economic policy in the early thirties.

SESSION B-2: Monopolistic Theory

The Methodological Impact of the Development of Monopolistic and Imperfect Competition Theory

Robert H. Wessel
University of Cincinnati

Although R.F. Harrod rather than Chamberlin or Robinson was the originator of the individual firm approach as we know it today, imperfect competition economics made its use both mandatory and popular. Chamberlin and Robinson combined this technique with traditional industry analysis to keep the new theory within the bounds of partial equilibrium economics rather than going directly to general equilibrium analysis. Most microeconomics remain in this firm tradition virtually unchanged. Chamberlin extended the theory to include product differentiation and marketing variations. The methodological novelty attracted relatively few followers. Since these innovations over fifty years ago microeconomics has recorded little progress. Perhaps as Robinson later said it was "a blind alley".

Frank H. Knight's Concept of Capitalistic Monopolies
Patrick Raines and Clarence R. Jung
University of Richmond
Abstract not received

Abstracts

Marginal Revenue and Monopoly: Cournot vs. Marshall
Tom Cate
Northern Kentucky University

Schumpeter argues that Cournot "discovered" the tool known as marginal revenue. Shackle argues that Marshall should be given credit for the discovery. This author suggests that Schumpeter's argument is the better of the two. The paper then reviews the increasing returns controversy, with special attention given to the papers by Clapham, Sraffa, and Yntema. This author concludes that the Marginal Revolution has not yet run its course because the profession has yet to come to grips with the destructive consequences of Yntema's mathematical statement relating marginal revenue, price, and price elasticity of demand.

SESSION B-3: Theories of Human and Inanimate Capital

Jevons's Critique of the Classical Theory of Capital

Robert W. Dimand
Brock University, St. Catharines
Abstract not received

Stages in the Development of a Marxian Concept: Composition of Capital

Shalom Groll
University of Haifa
Ze'ev B. Orzech
Oregon State University
Abstract not received

Samuelson and the 93% Scarcity Theory of Value
Avi J. Cohen
York University

In "Ricardo and the 93% Labor Theory of Value," Stigler demonstrates that Ricardo's labor theory of value cannot be defended as an analytical proposition but can be defended as an empirical proposition. This paper uses Stigler's criteria for analytical and empirical theories to evaluate the Cambridge capital controversies, particularly Samuelson's contribution. The evaluation demonstrates that the neoclassical scarcity theory of value--the conception of price as an index of resource scarcity relative to consumption demand--cannot be defended analytically but can be defended empirically. This result is shown to hold for both aggregate production function models and disaggregated general equilibrium models. Since all comprehensive theories of value fail to meet Stigler's analytical criteria, more emphasis must be placed on empirical information, not just as a data base for testing theories, but as a necessary part of theory construction.

Deus Ex Machina: A Methodological Criticism of Gary Becker's Specified Human Capital Theory

Samuel A. Shrager
Lehman College, City University of New York

This paper presents a methodological criticism of the role Gary S. Becker assigns to *turnover costs* in his model of *specific human capital* investment. Methodologically, I argue that *turnover costs*, Becker's protestation against introducing a *deus ex machina* which saves his story. I discuss why the role he gives to *turnover costs* is inappropriate in a Neoclassical equilibrium context. The theoretical difficulties I consider are of special practical importance because of the labor-management literature which has grown around Becker's model.

SESSION B-4: Some Methodological Issues

Common Foundations of Ordinalism and Emotivism in the 1930s

J.B. Davis
University of Dallas
Abstract not received

How Different are Hicks and Friedman on Method?

J. Daniel Hammond
Wake Forest university

Dieter Helm has argued that the methodological positions of Sir John Hicks and Milton Friedman are radically different, with Hicks stressing explanation and causation and Friedman prediction and testing. This paper uses the methodological methodology of Friedman's monetary analysis to show that Friedman's position is consistent with Hicks' methodological statement. John Mackie's model of causality is used to demonstrate the causal and explanatory nature of Friedman's economics.

How to Combine Rhetoric and Realism in the Methodology of Economics

Uskali Mäki
University of Helsinki

Three major claims are made in the paper. First, Donald McCloskey and Arjo Klamer have erroneous beliefs about the situation in the methodology of economics. Second, the rhetorical metatheory of economics as formulated by them implicitly subscribes to a version of instrumentalism. Thirdly, and most importantly, realisms of various kinds are either compatible with or presupposed by the rhetorical approach.

Abstracts

Roy Weintraub's *Studies in Appraisal*

Andrea Salanti
Istituto Universitario di Bergamo

Recently Roy Weintraub concluded that general equilibrium analysis (GEA) must be appraised according to Lakatos's *Proofs and Refutations* methodology of mathematics, while, in appraising more specific theories in the protective belt of the neo-Walrasian program (whose hard core should be nothing but GEA), the methodological standards to be followed are those of "sophisticated" falsificationism. This paper points out that, in addition to the "external" criticisms put forward by Alexander Rosenberg, there is something else even more open to question. According to Weintraub, for instance, monetarism ought to be placed in the protective belt of neo-Walrasian economics, as if it were "derived" from GEA. But has not precisely this link been the main target of Frank Hahn's reiterated warnings about the *lacking* theoretical foundations of monetarism?

SESSION B-5: J.M. Keynes I

Keynes, Pigou, and Robertson on Involuntary Employment

Roy Rotheim
Skidmore College
Abstract not received

**G.E. Moore and J.M. Keynes:
A Missing Chapter in the History of the Expected Utility Model**

Bradley W. Bateman
Simmons College

An unsolved question in the history of ethics is why G.E. Moore switched from advocating rule utilitarianism in *Principia Ethica* (1903) to advocating act utilitarianism in *Ethics* (1912). Several of J.M. Keynes's unpublished papers suggest that Keynes's early work in probability and expected utility can explain the change in Moore's position. This essay examines the role that Moore played in Keynes's early thought and considers the *analytical* influence that this episode in his life had on Keynes's economic modelling.

Did the Keynesian Revolution Retard the Development of Portfolio Theory?

Ivo Maas
Rijksuniversiteit Limburg

This paper is about the development of modern macroeconomic portfolio theory, as exemplified in the writings of James Tobin. Firstly the claim is advanced that John Hicks' article "A Suggestion for Simplifying the Theory of Money," published in *Economica*, (February 1935), can be considered a prefiguration of modern macroeconomic portfolio theory. But James Tobin's main contributions date from the mid 1950's onwards. So the (awkward) question is raised as how to explain this 20 year gap in the development of portfolio theory. The explanation put forward here is, that, with the rise of the Keynesian revolution, attention became concentrated on the real sector of the economy. The elaboration of subtle and refined models of the financial and monetary sector did not receive so much attention any more. This is illustrated by a short history of the development of Hicks' thinking on macroeconomic and monetary theory from the mid-1930s until the 1950s.

Keynes on Speculation
Steve Pressman
Monmouth College
Abstract not received

SESSION B-6: Some Italian Contributions I: 18th and 19th Centuries

On 18th Century Economic Thought in Italy

Marco Bianchini
Università di Parma
Abstract not received

On Francesco Ferrara

Francesco Asso
Università Europea
Abstract not received

Distinguished Speaker Lecture by Paul A. Samuelson, Massachusetts
Institute of Technology
"Out of the Closet: A Program for the Whig History of Economic Science"
Professor Samuelson's Keynote Address appears on pages 51-60

SESSION C-1: Some Dutch Contributions

Nicolaas Gerald Pierson
Arnold Heertje
University of Amsterdam

Nicolaas Gerard Pierson (1839-1909), was president of the Dutch central bank, professor of economics, author of many articles and several books, Minister of Finance and Prime-Minister of the Netherlands. Pierson, like Ricardo, a self-made man as far as economics is concerned, absorbed as a young man most of the economic literature of his time. He contributed to the theory of valuation in a socialist economy, the theory of the progressive income tax, the theory of index numbers, to a better understanding of the Italian economists, the marginal utility theory, and the working of financial markets and the private sector. Since Pierson always had great admiration for Ricardo a separate section is devoted to Pierson and Ricardo. It is made clear that Pierson was the first important economist in Holland, influential for roughly fifty years, and who also had a certain influence in the international arena.

Dutch Monetarism in Retrospect
M.M.G. Fase
The Netherlands Bank

This paper reports on the history of Dutch monetarism over its lifecycle which covers the period 1930-1975. Dutch monetarism refers to a monetary framework used at the central bank of the Netherlands by Dr. Holtrop while he was president (1946-1967). This history is organized around three rounds of debate, which took place in the 1930s, the 1950s and the 1970s. In two of which the main persons were Koopmans (1900-1958), a Dutch Professor of monetary economics, Dr. Holtrop (born 1903) and Tinbergen (born 1902). The paper concludes with an evaluation of Dutch monetarism in view of the perspective of modern economic thought.

Tinbergen, Business Cycles and the Development of Macroeconometric Models

Mary Morgan
University of York, England

Tinbergen built three large-scale business cycle models between 1936 and 1940 which form the first macroeconometric models. When he started he was unsure about how to build such models, what variables to use, how to put the relationships together and how to test the business cycle theories involved. As he worked he developed a three stage procedure for evaluating the econometric models and theories. At the same time he specified the properties required of the theories, and of the econometric models, in order for the evaluation process to work.

SESSION C-2: Classical Economics II: Surveys of What We Have Learned About Classical Economics Since Schumpeter

Developments in the Literature on Adam Smith: An Evaluative Survey

Edwin G. West
Carleton University, Ottawa

This review of the literature on Smith concentrates on articles written in the late 70s. It pays special attention to two aspects: (a) new defenses of Smith against some traditional criticisms and (b) the claims that he inspired or shadowed, or laid the groundwork for 20th century analysis. With respect to (b) attention is given to the suggested connection between Smith's work and such varied modern concepts or theories as 'the monetary approach to the balance of payments,' 'hierarchical modes of production' 'rent-seeking,' 'principle/agent problem,' 'hierarchical modes of production' 'implicit contracts' and 'human capital.' The review pays most attention to 1980s material. Section II is devoted to Smith's monetary economics, a subject upon which there has probably been the liveliest debate since 1981. Section III brings up to date the ongoing discussion of Smith's theory of development and its relationship to the Ricardian model. Market structure including the nature and treatment of monopoly in *The Wealth* are examined in Section IV while Section V reviews the continued attention to Smith's wage theory. Section VI concentrates on the newer findings concerning Smith's theory of the firm and his treatment of joint stock companies. Finally, and departing somewhat from economic analysis, Section VII surveys the recent discussion on economic policy and Smith's theory of politics.

On David Ricardo

Terry Peach
Manchester University
Abstract not received

On Thomas Malthus

Salim Rashid
University of Illinois, Champaign/Urbana
Abstract not received

Some Developments in Marxian Theory Since Schumpeter

Antonio Callari
Franklin and Marshall College

This paper, through a selective review of work in Marxian theory over the past four decades, reconceptualizes the structure of Marx's concept of "economy" and of "value." It takes to task neo-classical and neo-Marxian (un-Marxian) conceptualizations of Marx's concept of value from the standpoint of economic processes (production, consumption, distribution).

The paper, drawing upon criticisms of "Marxian theory," but also critical of the lack of attention to the specificity of the Marxian project, reconstructs the "transformation" and "labor reduction" problems in a way which theorizes relations among economic processes as open and unstructured. In the process, Marx's concept of money is theoretically reconstructed to reflect a non-determinist reading of Marx's concept of value.

SESSION C-3: Some French Contributions I

A Commentary on Canard's *Theory of Price Determination*

Bruce Larson
University of North Carolina, Asheville
Abstract not received

The Neglect of the French Liberal School in Anglo-American Economics: A Critique of Received Explanations

Joseph T. Salerno
Pace University

The scientific contributions of the French liberal school and their influence on the development of European and U.S. economic thought—particularly on those economists who are today recognized as the forerunners, founders and early exponents of marginalist economics—have been belittled or simply ignored by most twentieth-century Anglo-American economists and historians of thought. A number of doctrinal scholars, including Joseph Schumpeter, have noted and sought to explain the curious neglect of the school in the English-language literature. In citing the school's "analytical sterility" or "indifference to pure theory" as a main cause of its neglect, however, their explanations have overlooked a salient fact: that many prominent contributors to the development of economic analysis in the late nineteenth and early twentieth centuries expressed weighty intellectual debts to the purely theoretical contributions of the liberal school.

Intervention and Free Competition in Money and Banking: J.B. Say's Viewpoint

Philippe Nataf
University of Paris, I
Abstract not received

SESSION C-4: Piero Sraffa

The Sraffa-Hayek Debate in Analytical Perspective
Michael S. Lawlor
Wake Forest University

Bobbie L. Horn
University of Tulsa

Abstract not received

**Returns to Scale, the Standard Commodity, and Sraffa's
Production of Commodities by Means of Commodities**

Gary Mongiovi
St. John's University

The question of returns to scale is irrelevant to the analysis of Parts I and II of Sraffa's book; but this is because Sraffa addresses himself to an extremely limited range of theoretical issues. His discussion amounts to a peculiar variety of partial equilibrium analysis in which the effects on demand of changes in distribution are ignored. The problem is not that Sraffa must assume constant returns to scale to obtain useful results—for this is not true—but that there is no Classical theory of output. Once the Classical model is supplemented with information about how demand varies with changes in distribution, the irrelevance of any assumptions about returns to scale becomes indisputable.

**Sraffa's Production of Commodities by Means of Commodities
Twenty-Seven Years On: Settling an "Unsettled" Question**

A.L. Levine
University of New Brunswick

This paper has three aims: (1) bringing to an end the debate over the need for a constant-returns assumption in the Sraffa model; (2) entry into a larger debate that includes the question of Sraffa's Standard Commodity and consumer preferences, the treatment of capital and joint production in the Sraffa model, the twinning of Sraffa and Leontief, and the notion of a production function and of equilibrium in the Sraffa system; and (3) a consideration of Ronald Meek's claim that Sraffa's principal objective was to build a "20th-century model" to deal with 20-century problems."

SESSION C-5: From Modernism to Post-Modernism in Economics

The Advent of Modernism in Economics

Arjo Klamer
Wellesley College

Abstract not received

Market Economy, Natural Economy and the Problem of Modernity

Keith Tribe
University of Kelle

The debate on the viability of planned economies and the prospects for 'market socialism' which took place in the 1920s and 1930s was initiated by Weber and von Mises who argued that attempts to administer economies according to set objectives without the use of market mechanisms were formally 'irrational,' and by implication, non-optimal. It has not often been noted that their arguments on calculation were directed against the concept of a 'natural economy' developed in the years previous by Otto Neurath, later a leading member of the Vienna Circle. This paper demonstrates the foundations of Neurath's ideas in the German experience of the 1914-18 war, and examines the wider implications of his later attempts to make economies 'visually representable.'

Is the Economic Theory of Late Capitalism "Post-Modern"?

Jack Amariglio
Merrimack College

Abstract not received

SESSION D-1: Thorstein Veblen

Veblen's Theories of Governmental Failure

Charles G. Leathers
University of Alabama

This paper examines Thorstein Veblen's theories of governmental failure. In contrast to modern theories of governmental failure which utilize neoclassical methodology rooted in the assumption of rational utility-maximizing individuals, Veblen's theories of governmental failure rested upon assumptions of irrational behavior. His general theory ran consistently through his works on the business enterprise/leisure class culture, and predicted that democratic governments would function on behalf of the business interests at the expense of the vast underlying population. But at one point he introduced a second theory of governmental failure which involved a Leviathan-type government which pursued policies harmful to business interests. This second theory was effectively repudiated by Veblen in a later work. In addition, we note that in *The Theory of Business Enterprise* Veblen seemed to anticipate several elements of modern theories of Political behavior.

Thorstein Veblen and Antonio Labriola
Robert Griffin
Southern Connecticut State University

In 1896, Antonio Labriola, Professor of Philosophy at the University of Rome, published his celebrated *Essays on the Materialistic Conception of History*, the French translation of which was reviewed by Thorstein Veblen for *The Journal of Political Economy* in 1897. Analysis of Veblen's review in relation to Labriola's *Essays* and Veblen's own work, *The Theory of the Leisure Class*, which appeared in 1899, shows a strong element of continuity of the latter with the former. For both authors the social science revolution posed crucial challenges for broadening the concept of political economy.

SESSION D-2: Gustav von Schmoller

Schmoller's *Briefe on Otto Furst von Bismarck*
John C. O'Brien
California State University, Fresno

Little or nothing of Schmoller's work has been translated into English. Here we present the original letters which Schmoller wrote about the sociopolitical and economic stance of Bismarck and its significance. The letters were written by Schmoller when he learned of the death of Bismarck in 1898. They are presented here in order to throw more light on Schmoller's role as a social economist and the nature of social economics. The letters are apart from their value to the economist, sociologist and political scientist of literary and historical significance. Schmoller who was acquainted with Bismarck, although ever so slightly, advances the view that Bismarck's success as a politician, Prime Minister and Chancellor could only be understood by an examination of the latter's personality.

Schmoller's *Grundriss and His Critics*
Nicholas W. Balabkins
Lehigh University
Abstract not received

SESSION D-3: Rational Behavior

A Rational Reconstruction of the Rational Expectations Revolution
Shyam J. Kamath
California State University, Hayward
Abstract not received

**Concepts of Rationality in Economic Models:
Diverse Past Views and Varied Implications**
Peter Asch and Gary A. Gigliotti
Rutgers University
Abstract not received

SESSION D-4: The Impact of Labor Market Conditions on Economics

The Modern Emigration of German Economists
Earlene Leijonhufvud
University of California, Los Angeles
Abstract not received

An Analysis of the Fields of Specialization of Three Minorities in Economics:

Blacks, Women and the Foreign-Born
Arthur M. Diamond, Jr.
University of Nebraska, Omaha

The data tape for the 1985 directory of the American Economic Association is exploited to learn how the field choices of minorities differ and how they have changed over time. Preliminary evidence suggests that women are more apt to choose labor economics and foreign economists are more apt to choose development and international. The results for labor for women and international for foreign economists are robust over time, while there has been a decline in the percentage of foreign economists choosing development. The number of blacks in the sample turns out to be too small to reach any confident conclusions.

SESSION D-5: Some Canadian Contributions

Recent Canadian Economic Historiography: "Is There Life After Innis?"
Ian Drummond
University of Toronto

The paper comments upon recent trends in Canadian economic historiography. It is suggested that Canada's main conceptual contribution to the topic remains the "staple approach," usually associated with the name of Harold Innis, but that this approach is now thought to explain little of the economic development of modern Canada, which is now studied with a variety of conceptual approaches, almost entirely borrowed from other lands. Special attention is devoted to recent work on the economic histories of Quebec and the Atlantic Provinces, and to the imaginative contributions of David Alexander. The paper ends with some reflections on Canadian contributions to the economic historiographies of other countries, in particular to that of interwar Britain, where an element of methodological novelty may be detected.

Some Canadian Contributions to Macroeconomics
J.L. Carr and J.A. Hynes
University of Toronto
Abstract not received

SESSION D-6: From Methodology to Economics

When Will Speculation in Foreign Exchanges be Destabilizing?
An application of Machlup's "Why Bother With Methodology?"

Roger Koppl
Auburn University
Abstract not received

The Philosophy and Methodology of Experimental Economics
David Schmidt
University of Arizona

Laboratory experimental methods can address questions of general and enduring interest, in terms of both economic policy and economic theory, while controlling many of the variables which render field tests problematic. Nonetheless, the experimental approach is a means to an end, not an end in itself—a complement of rather than a substitute for traditional theoretical inquiry. The theorist should start with the question "What could explain the data?" and should finish with the question "Can the theory devised to explain the data withstand being tested against further observation?" Theory and controlled observation are each integral parts of economic inquiry. Without theory, there is nothing to test. Without observation, there is nothing to explain.

SESSION E-1: Some French Contributions II:
The Diffusion of Walras's Ideas

The Origins of Social Economics in France
Lucette LeVan-Lemesle
University of Paris I
Abstract not received

The French Disciples of Léon Walras Before 1914
André Zylberberg
University of Paris I

Before 1914, Léon Walras has had three genuine disciples: Albert Aupetit, Hermann Laurent and Etienne Antonelli. The paper gives an outline of their works in mathematical economics and of their actions in the spreading of Walrasian ideas in France. Aupetit and Laurent were good methodologists and good economists while Antonelli was rather a philosopher. The paper also discusses the influence of these economists to the theory of general equilibrium.

Hicksian "Avant la Lettre"
A. van Witteloostuijn and J.A.H. Moks
University of Limburg

In light of the common view of Walras' contribution to economic theory, Hicks is credited for the introduction of a method of *dynamic* economics based upon the *temporary* equilibrium concept and the prevalence of intertemporal uncertainty. However, a close reading of Walras's *Elements of Pure Economics* results in a picture of Walras's notions closely related to the Hicksian view. In fact, Walras may be regarded as a Hicksian "avant la lettre."

SESSION E-2: Adam Smith I

Adam Smith's Religious Views and Their Relation to His Economic Doctrines
Yoshikazu Kubo
Kwansei Gakuin University

Smith's religious views can be found both in his TMS and WN and by religion, he means two kinds of religion. The one is Natural Religion and the other is Revealed Religion. In my opinion, the Stoic idea of nature permeated his reflection over the whole range of ethics and social science. Therefore, the best way to understand his thought and system is by Stoicism which can be found behind his religious views as a keynote. But his respect for Stoicism was not unqualified. As a practical moralist, he preferred a moderate Stoic attitude to rigorous Stoicism, namely, preferred expediency (wealth) to virtue.

Adam Smith and Social Relations
Michael Perelman
California State University, Chico

The unifying feature of Adam Smith's work is a strong advocacy of the values of the self-employed artisan, merchant or professional. This attitude is reflected in Smith's negative perception of dependent social relations, which demean both the lower classes that find themselves dependent and the aristocracy that require others to be subservient. This concern with dependency is a recurrent theme in all of Smith's mature works, from the *Theory of Moral Sentiments* to *Wealth of Nations*. In contrast, Smith was tolerant of the dependency of those who are in the employ of another. Smith's analysis on dependency also helps to explain his interpretation of productive and unproductive labor, as well as various policy issues.

John Smith and the Scholastic: A Reconsideration

Barry Gordon
University of Toronto

Jeffrey Young
St. Lawrence University

Although it is well known among historians of economics that Smith's concept of the natural price is a direct descendant from the scholastic notion of the just price, it is commonly believed that Smith's conception has none of the ethical implications attached to the latter. For example, Bowley states, "John Smith's conception of the natural price of factors on which the natural price of other commodities flows, on the contrary, Smith's system of natural theory, where prices should tend towards their natural level, was concerned as a part with the theoretical basis of satisfying the requirements of particular justice, good nature, and distributive justice. Consequently we view the *Wealth of Nations* as a continuation of the scholastic system rather than as a decisive break from it."

Globalized Smith vs. Neoliberal Regulation: Economic Efficiency, Justice, and the Public Good

Edi Noyes
Western College

This study explores and contrasts the approaches of the *Scottish* and *Smithian* Smith to neoregulation. The common law neoregulation reflects his support for the freedom of agriculture and the extension of neoregulation. But also his opposition to arbitrary exclusionary control of the industry. Smith's neoregulation reflects his support for the extension of neoregulation. But also his opposition to arbitrary exclusionary control of the industry. Smith's neoregulation reflects his support for the extension of neoregulation. But also his opposition to arbitrary exclusionary control of the industry.

Session 5: The Japanese Contribution

From Shogunate Economy to the Development of Modern Economy in Japan

Shinichi Matsuda
Kansai University

Abstract not received

Smith's Theory vs. Japanese's Method: A Study on the Contribution of Japanese

E. H. Young
Duke University

Abstracts

Session 5-4: Socialism

Karl Polanyi and Socialist Pricing

Margaret Mendell
Cincinnati University

Until recently, Karl Polanyi's writings in the period 1908-1944, prior to the publication of *The Great Transformation*, have not been widely known. Written in two languages (Hungarian, German and English), and in obscure or inaccessible publications, they have remained largely unavailable. Research into the literary legacy of Karl Polanyi reveals both the numerous subjects which he treated, and, in a very significant way, the important influence of his European experience in shaping his later work. Of great interest to economists, in particular, are important writings, in German, on the issue of socialist pricing. These have only recently been translated into English, and are the basis for discussion in this paper. Polanyi responded to the challenge posed by Ludwig von Mises in 1922 that pricing was impossible in a socialist economy. Economists who have largely marginalized Polanyi's contributions will have a reason with him, given the key role he played in a vital debate in the history of economic ideas.

The Social-organic Theory of Distribution: Resource Allocation in the Soviet Union

V.S. Rozman
University of Lincoln

In this paper the distribution problem is discussed in the context of planning resource allocation in the Soviet Union. The focus is on the distribution of national income between consumption and investment, and the distribution of resources between agriculture and industry. A brief analysis of the historical background against which the decisions on the distribution problem were taken between the wars raises the question in how far the Russian experience with centralized economic development planning can be regarded as a special case.

History as a Vehicle of Economic Debate: The Strange Case of Objective Economic Laws of Socialism

Malcolm D. Smith
University of Hull

Thomas Malthus professed his withering view of theoretical social sciences in the Soviet socialist society because of the transparency of its production relations. By the late 1930s, however, the economy of a political economy of socialism and finally in 1945 also the economy of objective economic laws was declared in the Soviet Union. The reasons for this break with the utopianism of classical Marxism should not be primarily seen in the scientific pretensions of Soviet Marxism and Historical Materialism, but in the economic ideological shift of the Party line. Examples from later Soviet economic discussions show, that the economic ideological shift can also be used to pursue critical and

Adam Smith and the Scholastics: A Reconsideration
Barry Gordon
University of Newcastle

Jeffrey Young
St. Lawrence University

Although it is well known among historians of economics that Smith's concept of the natural price is a lineal descendant from the scholastic notion of the just price, it is commonly believed that Smith's conception has none of the ethical connotations attached to the latter. For example, Bowley states, "Adam Smith's definition of the natural prices of factors on which the natural prices of commodities were based had no such implications of justice." However, it is our contention that, on the contrary, Smith's system of natural liberty, wherein prices would tend toward their natural level, was conceived as a just system in the threefold sense of satisfying the requirements of particular justice, general justice, and distributive justice. Consequently we view the *Wealth of Nations* more as a completion of the scholastic system rather than as a decisive break from it.

Coke and Smith on Occupational Regulation: Economic Efficiency, Justice, and the Public Good

Edd Noell
Westmont College

This study seeks to compare and contrast the approaches of Sir Edward Coke and Adam Smith to occupational regulation. The common law rulings of Coke reflect his support for the Statute of Artificers and the institution of apprenticeship, but also his opposition to arbitrary exclusionary restraints set in place by certain guilds. Smith emphasizes the negative effects on competition of apprenticeship rules and corporate by-laws. The Tudor notion of the public good defined Coke's view of the normative end of occupational regulation. Smith utilized his own notions of output expansion and justice as the normative basis for his evaluation of such regulation. Coke and Smith shared the notion of character formation as a proper end of policy on these matters, but they disagreed as to whether the guilds promoted such a goal.

SESSION E-3: Some Japanese Contributions
Some Distinguished Economists in the Development of Modern Economics in Japan

Tamotsu Matsuura
Kantogakuen University
Abstract not received

**Stability Theory via Liapunov's Method:
A Note on the Contribution of Takuma Yasui**

E. Roy Weintraub
Duke University

Abstracts

SESSION E-4: Socialism

Karl Polanyi and Socialist Pricing
Marguerite Mendell
Concordia University

Until recently, Karl Polanyi's writings in the period 1908-1944, prior to the publication of *The Great Transformation*, have not been widely known. Written in three languages (Hungarian, German and English), and in obscure or inaccessible publications, they have remained largely unavailable. Research into the literary legacy of Karl Polanyi reveals both the numerous subjects which he treated, and, in a very significant way, the important influence of his European experience in shaping his later work. Of great interest to economists, in particular, are important writings, in German, on the issue of socialist pricing. These have only recently been translated into English, and are the basis for discussion in this paper. Polanyi responded to the challenge posed by Ludwig von Mises in 1922 that pricing was impossible in a socialist economy. Economists who have largely marginalized Polanyi's contributions will have to reckon with him, given the key role he played in a vital debate in the history of economic ideas.

The Social-surplus Theory of Distribution: Resource Allocation in the Soviet Union

Y.S. Brenner
University of Utrecht

In this paper the distribution problem is discussed in the context of planning resource allocation in the Soviet Union. The focus is on the distribution of the national income between consumption and investment, and the distribution of investment between agriculture and industry. A brief analysis of the historical background against which the decisions on the allocation priorities were taken between the wars raises the question in how far the Russian experience with centralised economic development planning must be regarded as a special case.

**Ideology as a Means of Economic Debate:
The Strange Case of Objective Economic Laws of Socialism**

Pekka Sutela
Academy of Finland and University of Helsinki

Classical Marxism prophesied the withering away of theoretical social science in the future socialist society, because of the transparency of its production relations. By the late 1930s, however, the existence of a political economy of socialism and finally in 1941 also the existence of objective economic laws was decreed in the Soviet Union. The reasons for this break with the utopianism of Classical Marxism should not be primarily seen in the scientific pretensions of Soviet Dialectical and Historical Materialism, but in the concrete ideological needs of the Party-State. Examples from later Soviet economic discussions show, however, that such apologetic doctrines can also be used to pursue critical and

**Productive and Unproductive Labor:
Smith, Marx, and Soviet National Income Accounting**
William Stull and Fyodor Kushnirsky
Temple University
Abstract not received

SESSION E-5: History, Philosophy, and Economics

Philosophical Foundations of Economics?

Jeremy Shearmur
Institute for Humane Studies, George Mason University

The author criticizes traditional philosophical foundations of knowledge and social science and common-sense foundations of economics. He argues - against Hayek - that economics is not compositive but resolutio-compositive in its methodology, and that, as Hayek has elsewhere recognised, some aspects of human motivation may not be directly accessible to the actor. He also argues, following Duhem, that there is a discontinuity between the 'practical facts' of common sense knowledge and how these may, in some sense, be represented in economic theory. But he concludes that a revised interpretation of philosophical foundations of economics may be defended, referring to Popper and Machlup.

John Stuart Mill and the Origins of the Political Theory of Welfare State Liberalism

Richard Krouse and Michael S. McPherson
Williams College
Abstract not received

The Need for History in the Philosophy of Economics: The Hutchinson-Machlup Debate

Abraham Hirsch
Brooklyn College

Leading economic methodologists have defended economic theory on the basis that its assumptions were "true." T.W. Hutchison, in *The Significance and Basic Postulates of Economic Theory*, criticized the same theory because he felt that the premises or assumptions had not been demonstrated to be "true." This was essentially an in-house disagreement. Fritz Machlup, drawing on philosophers of science, argued that the concern should be with implications and not assumptions. I argue that he picked the wrong target, which should have been the whole methodological tradition from Senior to Robbins, and that Machlup's appeal to J.S. Mill in support of his position is a questionable reading of Mill.

Abstracts

SESSION E-6: J.M. Keynes I: Foundations and Sources of his General Theory

**IS-LM Once Again: An Investigation into the Microfoundations of
Keynes's General Theory**
Evelyn L. Forget
University of Winnipeg
Abstract not received

Keynes and General Process Analysis: The Marshall Connection
Robert W. Clower
University of South Carolina
Abstract not received

**From the "Banana Parable" to the Principle of Effective Demand:
Some Reflections on the Origin, Development and
Structure of Keynes's Thought**
Ingo Barenz
Bergische Universität, West Germany

The paper analyses the reason why Keynes came to abandon "classical" theory. It is argued that the "Banana Parable," used in the *Treatise on Money* to illustrate Keynes's new approach to the theory of the price level in terms of savings and investment, played the essential role. This parable brought out a central weakness of Keynes's analysis: the equilibrium position of the economy turned out to be completely unstable! It is shown that Keynes analysed the logic of the "Banana Parable" more systematically in the earliest draft manuscript (1931-32) of what later would become the *General Theory* and contrary to recent interpretations (e.g. by Patinkin) immediately succeeded to outline the principle of effective demand. Though this provided for stable equilibrium, the analysis of the *Treatise* had to be abandoned nevertheless, because stable equilibrium now implied unemployment and left the rate of interest "hanging in the air."

SESSION F-1: Some Austrian Contributions I

**How to Deal With Subjectivism: A Suggested Reorientation in
Austrian Economics**
Ulrich Witt
University of Southern California

The subjective nature of individual intentions, evaluations, and expectations is a major problem in the attempt to explain economic behavior. "Austrian" and other subjectivist economists have always emphasized its importance in contrast to neoclassical economics where it is played down by means of perfect information assumptions. Important as the problem is, it does not necessitate

an aprioristic approach as is argued by proponents of the "Austro-American" school. As this paper points out, economics would be rendered a sterile logic ("praxeology") under this approach not capable of explaining any empirically observed economic behavior. A revival of the idea of a psychological foundation of the theory of economic behavior is therefore suggested. A brief outline is given of how results from psychological research can be utilized in explaining individual economic behavior without interfering with the subjectivism problem. Bounds are reached, however, where, in the subjective intentions, evaluations, and expectations of the agents (objective) novelty is created.

On the History of Neutral Money

Hansjoerg Klausinger
University of Economics Vienna, Austria

This paper examines the evolution of the concept of "neutral money" in 20th century monetary thought. It starts with the Hayekian concept which identifies the domain where the application of the intertemporal equilibrium of perfect barter to a monetary economy is valid. Some problems of this procedure are clarified by the use of modern general equilibrium theory. This is contrasted with the attempts of the post-Keynesian neoclassical synthesis to give analytical content to neutrality notions, thereby relating to the classical dichotomy. Patinkin's invariance theorem and the optimal quantity of money. An example from the early literature on money and growth demonstrates that this new approach proved less fruitful than recognition of Hayek's early contribution would have allowed. At last the claim of new classical economics as progressing within the Hayekian research program is put into perspective by pointing at differences in the epistemological evaluation of such equilibrium theorizing.

The Austro-Marxists' Critique of the Austrian School

Gerald Mozetic
University of Graz
Abstract not received

The Concept of Central Planning: Conservative Criticism and Socialist Response

Guenther Chaloupek
Vienna Chamber of Labour
Abstract not received

SESSION F-2: Prosperity and Recession

The Business Cycle Theory of J.B. Say
Phillippe Nataf
University of Paris I

Alvin Harvey Hansen: The Stagnation Thesis and Keynesian Policies, Then and Now W. Robert Brazelton University of Missouri, Kansas City

Alvin Harvey Hansen (1887-1975) was the developer of the concept of secular stagnation in which past American economic growth had been dependent upon the incomes of the population grown, frontier development, and technology. Due to the decline in these factors, Hansen believed that American economic growth would decline.

Partly because of his stagnation thesis and partly to offset economic stagnation, Hansen was an early and influential adherent of Keynesian economics and a developer of fiscal policy in the United States. The Centennial paper points to the role of Hansen in the development of American economic analysis and policy and relates that analysis to the present.

SESSION F-3: Neoclassical Economics II

The Early Marginalists and the Transformation of Distribution Theory
Sandra R. Baum
Wellesley College

This paper examines the role of Jevons, Menger and Walras in the transformation of distribution theory from an inquiry into the determinants of the incomes of distinct social classes into a subset of price theory. Without denigrating the importance of inquiry into social issues, all three of these men concentrated on abstract theoretical analysis. The first generation of marginalists could not have anticipated the extent to which the precedent they set for separating the theory of factor prices from social and institutional analyses of poverty and inequality would divert the attention of later economists from social questions in the field of income distribution. Their approach created a bridge from the classical efforts at developing economic theory to support particular political agendas to the later neoclassical attempt to move economic analysis as far away as possible from applied social and political questions.

The Natural Law Preconceptions of Jevons, Menger and Walras Charles M. Clark St. John's University

The marginal utility revolution of the 1870s has not suffered from a lack of serious analysis. However, the preconceptions of Jevons, Menger and Walras has however received scant attention at best, while the influence of natural law philosophy on the marginalists has been almost completely ignored. Yet an analysis of these issues should be enlightening; for it is in their preconception, specifically their natural law preconceptions, that Jevons, Menger and Walras have the most in common, not only with one another, but also with the classical economists against whom they were rebelling. An investigation of this sort would not only highlight one of the factors that gives coherence to the marginalist period, but would also provide an important link with the classicals. Natural law preconceptions elucidate the continuity in the development of economic theory from Adam Smith to Gerard Debreu.

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Abstract not received

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SESSION F-4: General Equilibrium and Disequilibrium

The History of Dynamic System Theory in Economic Modeling

Doru Tsaganca

Abstract not received

Science and History: Economics and Thermodynamics

Murray Wolfson

California State University, Fullerton

History is relevant to any causal explanation when the *order* of events matters. The paradigm of postwar economics is a field theory of utility and in which the order of events does not matter. In this it follows the definitions in classical thermodynamics of energy and entropy. We show that these terms are strictly meaningful only under equilibrium conditions. We trace the historical conflict in both economics and physics between disequilibrium processes and equilibrium concepts. We contend that field theory methods are approximations appropriate to small, slow, dynamic processes close to equilibrium and hence have only local significance. Public policy based on the belief in the global applicability of utility maximization may be misled in its choice of appropriate instruments for social amelioration.

Von Neumann and the Birth of Modern General Equilibrium Theory

Lionello Punzo

University of Siena, Italy

Von Neumann's two seminal contributions to economics, the 1928 game theory paper and the 1932 or 1937 growth model, were not historical accidents. They were inspired by the same mathematical philosophy that von Neumann was advocating in mathematics and applied physics in the very same years. In the thirties he was a convinced advocate of Mathematical Formalism. In the same years, a member of the Mathematical Colloquium led in Vienna by K. Menger and A. Wald, produced the prototype of the modern proofs of the existence of an economic equilibrium. My main purpose is to provide a logical (and only partly historical) reconstruction of the debate that focused on the problem of the formal proof of the existence of an economic equilibrium. Von Neumann and K. Menger's group contributed to isolate and to give analytical relevance to a mathematical problem which had no role before in economic modelling.

Abstracts

SESSION F-5: Policy Formation

Decreases in Real Income as a Means of Stimulating Economic Growth: A Doctrinal Approach

John Watkins

Westminster College

The purpose of this paper is to investigate the doctrine that decreases in the real wages of the working poor increase economic growth. The first part of the paper briefly traces the evolution of this doctrine in the ideas of some of the major economic thinkers, notably, Bernard Mandeville, Adam Smith, T.R. Malthus, David Ricardo, Karl Marx, Alfred Marshall, Frank Knight, Lionel Robbins, and so on.

The second part presents a non-technical, graphical exposition of the doctrine using the neoclassical apparatus. The argument is relatively simple. An exogenous decline in the real wages of the working poor, say through an increase in taxes, reduces workers real income. Assuming they are already earning a subsistence income, workers must either work longer or more intensely, thereby increasing national income.

A third part of the paper discusses the relevance of the doctrine to supply-side economics, and Reagan's economic policies.

The Origins of a Dynamic Theory of Tariffs

Ronald N. Woods

Curtin University, Australia

In the 1920s a group of influential Australian economists developed a cogent argument in favour of tariff protection. Their model incorporated the institutional structure of their society and produced a socially relevant and useful theoretical apparatus for their community. The model included the strong societal desire to transform the large, sparsely populated country from an agricultural one into an industrialized one. It provided the rational justification for the use of tariff protection without eroding the standard of living. This paper outlines one aspect of this model, namely the pioneering use of multiplied external effects in a dynamic setting.

The American Association for Labor Legislation: The Life and Death of a Policy Paradigm

John Dennis Chasse

SUNY at Brockport, New York

Economists organized the American Association for Labor Legislation in 1906, and it became a major force in the drive for workers' compensation, unemployment compensation and compulsory health insurance. Since economists played a major role in its establishment and in its activities, its history provides a unique opportunity to examine the relation between economic ideas and economic events. A particular "vision" operating on a national crisis produced a research program that gave birth to the association. Another "vision," operating on another crisis produced a different research program that did not include the association, and the association died.

SESSION F-6: Some Italian Contributions II

Early Italian Contribution to the Theory of Public Finance

Orhan Kayaalp
Lehman College, The City University of New York

The Italian theory of public goods remains largely unknown to English-language students of modern Public Finance. This essay reexamines the Italian fiscal tradition by concentrating on the seminal contributions of Pantaleoni and De Viti de Marco which culminated in a standard model of public economy formalized by Mazzola in 1890. The essay expresses the hope that, once some misconceptions are cleared up, the much-needed unification of the continental and Anglo-Saxon fiscal thought will be closer at hand.

On Italian Marginalists

Domenico Da Empoli
University of Rome

Abstract not received

On Italian Economic Thought During the Interwar Period

Piero Bini
University of Firenze

Abstract not received

SESSION G-1: Some Finnish Contributions:
Economics in a European Periphery

Early Economic Views in Finland

Ilkka Patoluoto
University of Helsinki

Abstract not received

Economic Thought on the Outskirts: Towards a Historiographical
Framework for Studying Finnish Economics

Uskali Mäki
University of Helsinki

The presupposition underlying the paper is that the history of economic thought in a small peripheral country is to be written, to some extent at least, as a history of foreign influences. The outlined framework has three kinds of ingredients: first, there are four distinctions between internal and external factors (one of which is that between domestic and foreign conditions); second, there are six elements of transmission of ideas (such as the ports of exportation and importation, the mechanisms of transmission, and the form and contents of the idea); and third, there are three modes of conditioning. The framework implies the fundamental question for a historian: In what way (mode of

continued on page 31

conditioning) do various internal and external factors affect or enter into the elements of transmission? The working of this rough framework is then discussed by means of illustrations and hypotheses drawn mainly from considerations of economic thought in Finland.

Economic Theory and Policy in a Theoretical Periphery:
The Case of Finland in the Light of Scandinavian Comparisons

Jukka Pekkarinen

Labour Institute for Economic Research

The paper consists of two parts. The first part employs a comparative framework to account for the economic-structural, cultural, political, institutional and professional factors that might explain the differences in the degree of Keynesianism of the economic policies of different Nordic countries in the post-war period. On the basis of these comparisons it seems that factors like the strength and unity of the Left, institutional hegemony of the Central Bank, steady behaviour of the current account and independent domestic origins of Keynesian thinking correlate with Keynesianism. Differences between the two extremes, progressively Keynesian Sweden and non-Keynesian Finland, are particularly striking. In the second part of the paper the relation between economic theory and economic policy in Finland is discussed more closely.

SESSION G-2: Classical Economics III

The Neoclassical Inversion of Classical Monetary Theory

Will E. Mason
Pennsylvania State University

Neoclassical interpreters turned classical monetary theory upside down without apparent realization or subsequent detection. After conversion of the complementary classical commodity and quantity theories into competitive dogmas, the quantity theory outlived the quality theory—but without the classical cost-of-production explanation of the long run quantity (and value) of money. This transposed the quantity theory from the classical analytical short run to the neoclassical historical long run. Substantive as well as semantic confusion accounted for the inversion. Imperceptibility of the methodological metamorphosis obscures the growth of discrepancies between classical and neoclassical monetary doctrines.

The Role of Demand in Classical Economics

Gary Mongiovi
St. John's University

Abstract not received

Price Formation and the Role of Expectations In Late-Classical Thought
 Evelyn L. Forget
 University of Winnipeg
 Abstract not received

SESSION G-3: Some Austrian Contributions II

**The Origins of Böhm-Bawerk's 'Greatest Error':
 Theoretical Points of Separation From Menger**
 A.M. Endres
 University of Auckland, New Zealand

Historians of economic thought have not fully investigated Menger's remark to Schumpeter that Böhm-Bawerk's theory of capital and interest contained a 'great error'. The origins of theoretical divergence between Menger and Böhm-Bawerk on capital and interest can be located in Böhm's unjustly forgotten *Habilitationschrift*. In not attributing goods-status to property rights and commercial relations Böhm-Bawerk's fundamental concepts derive from narrower, more objectivist foundations than Menger's. Böhm had no desire to depart from his master. Filial respect notwithstanding, Böhm's theory of goods was narrower in scope than Menger's and this difference later surfaced in Böhm's capital theory. The 'Austrian' theory of capital and interest emanating from Böhm-Bawerk stressed a degree of materiality that is sharply at odds with the basis of Menger's alternative theory.

Some Issues in the Comparison of Austrian and Institutional Economics
 Malcolm Rutherford
 University of Victoria, Canada

The paper claims that the usual dichotomies of individualism vs. holism, organic vs. pragmatic institutions, and antirationalism vs. rationalism overstate the differences between Austrian and Institutional economics. It is argued that a methodological middle ground can be found in the institutional individualism of J. Agassi, and that on a number of theoretical issues concerning institutional development and change the work of Austrians and institutionalists demonstrates a significant degree of complementarity or, at least, or potential complementarity. Even on normative issues the divisions are not as sharp as sometimes claimed.

Economics as a Social Science: The Legacy of Alfred Amonn
 Stephen Boehm
 University of Graz
 Abstract not received

Abstracts

SESSION G-4: J.M. Keynes III: Money and Income

**Keynes and the Classics (Hicks) at the 50th Anniversary:
 A New Interpretation**
 Anghel N. Rugina
 Northeastern University

We are celebrating the 50th Anniversary of the famous Hicksian IS-LM curves. They have been accepted by the profession on their face value and nobody had questioned their construction or usefulness. Four decades later, however, Sir John Hicks had some second thoughts about their usefulness.

Two main themes run through this paper: (1) Is there a bridge possible between classical (Walrasian) and modern (Keynesian) economics? and (2) Are the IS-LM curves suitable for a better understanding of modern capitalism and its problems?

The Reception of Keynes's *Treatise On Money*: A Review of the Reviews
 Robert W. Dimand
 Brock University of St. Catharines
 Abstract not received

**The Quantity Theory of Money of J.M. Keynes:
 From the *Tract* to the *General Theory***
 Karl A. McDermott
 Illinois State University
 Christopher Marme
 University of Illinois
 Abstract not received

SESSION G-5: The Method of Methodology

Methodology after Samuelson: A Manifesto
 Lawrence A. Boland
 Simon Frazier University
 Abstract not received

The Trend of Methodological Thinking
 Bruce J. Caldwell
 University of North Carolina, Greensboro

- I. The Practice of Economics: A. Grand Science, B. Normal Science, C. Alternative Science
- II. The Old Methodology, When Positivism Was Regnant: A. Grand Methodology, B. The Secondary Literature, C. Alternative Methodology
- III. The Death of Positivism Warrants a New Approach to Methodology

- IV. Two Trends in the New Methodology: A. Negative Heuristic: End the Search for Ultimate Criteria of Theory Choice, B. Positive Heuristic: Try to Understand Practice Better, C. Alternative Methodology: Create a New Science

SESSION G-6: Piero Sraffa II

The World of Piero Sraffa

J.T.J.M. van der Linden
University of Utrecht, The Netherlands

The great historical and theoretical importance of Piero Sraffa lies in his critique on Marshall's supply and demand analysis, and in reviving interest in classical economic theory, particularly in the theory of value. In this contribution the author focusses on two of Sraffa's publications: his article on the 'Law of Returns' and his book on 'Production of Commodities by Means of Commodities.' The author stresses that Sraffa's work suggests a fruitful basis for a theory of value and distribution outside the framework of marginal analysis. Sraffa emphasized the 'objective' approach which he derived from classical economics, particularly from Ricardo. His model is concerned with the working of the economic system which is characterized by a circular interdependence of production and consumption as opposed to a one-way avenue from 'factors of production' to 'consumption goods,' which characterizes the neoclassical tradition.

The Question of Continuity in Classical Economic Thought

Giovanni Caravale
University of Rome
Abstract not received

SESSION H-1: Some Swedish Contributions II

Macrodynamics and the Demise of the Swedish School

Hans Brems
University of Illinois at Champaign/Urbana

In 1898 Wicksell set out a cumulative process of inflation at frozen physical output. Using Wicksell's method, Ohlin in 1934 made physical output an additional variable and described a multiplier-accelerator interaction. In 1937 Lundberg wrote the difference equations of such an interaction and solved them recursively. In 1939 Samuelson recovered their primitive. Finally in 1954 Phillips wrote the differential equations of the interaction and recovered their primitive. Differential equations may look less "Swedish" than difference equations but handled lags and excess capacity at least as well. If so, the length of a "Swedish" period cannot matter and may even vanish. The lasting contribution of the Swedish school cannot, then, have been its use of periods of finite length but rather must have been the rise the Swedes gave to the use of more efficient forms of macrodynamics.

Erik Lundberg's Contributions to Economic Theory and Empirical Research

Rolf Henriksson
University of Stockholm
Abstract not received

After the Stockholm School

Bjorn Hansson
University of Lund
Abstract not received

SESSION H-2: Adam Smith II

The "Canonical Classical Model" versus Adam Smith

Cigdem Kuras
New York University

Paul Samuelson has formulated a "dynamic model of equilibrium, growth, and distribution" which, he argues, is common to all the classical writers. He uses this model to demonstrate that classical thought is subsumed by the neoclassical paradigm and does not have much that is different as far as theory goes. The purpose of the present paper is to show that this model misses crucial elements of Adam Smith's approach to growth. Specifically, it leaves out the organizational innovations and new technologies resulting from "division of labor." Once Smith's explanation of innovations is taken into account, the Samuelson model turns out to need significant modification. The question is then why Samuelson chose to leave out the division of labor proposition. I argue that this is due to the restrictiveness of his own approach and the difficulty of accommodating dynamic movements within its confines.

Adam Smith's 'Labor-commanded': An Instance of a Debacle in the History of Economic Thought

Elias Khalil
Southwest Missouri State University

The paper tries to achieve two things. First, it attempts to spell out what Adam Smith has meant by 'labor-commanded' measure of value [LC] in chapter five of *The Wealth of Nations* [WN], which a series of economists, stretching from David Ricardo to Mark Blaug, have simply misinterpreted. Second, it reveals an interesting facet of the practice of explaining texts in general through answering the question: how come these economists misunderstood Smith's text. I will argue that the string of misinterpretations are not accidental, but rather each congenially fit the theoretical framework of the commentator.

The Evolution of Adam Smith's Views on Political Economy

Jerry Eisenks
Syracuse University

Adam Smith's views on Political Economy evolved. The young Smith held the sanguine view that over the long term society was moving toward the state of an ideal order, the Deity's Design. This movement was an iterative process with periods of regression, but it was ultimately a positive progression. The mature Smith's was more sceptical about the direction of social development. This was due to a growing awareness that mercantilist behavior was not a he initially believed, a weakening artifact of an earlier, stagnant age, but rather a dynamic element of an expanding society. This evolution of Smith's views is reflected in his use of language. Initially he wrote almost entirely in the language of civil jurisprudence. Over time he drew more and more on the language of civic humanism.

The Historical Misinterpretation of Adam Smith's Views of Human Nature

Paul J. Albanese
Middlebury College

The common conception of Economic Man is an isolated individual acting, if not ruthlessly, pursuing his own self interest. Motivation is often related to greed, and, provided that self interest is pursued consistently, economic behavior is considered rational. A psychological analysis of Adam Smith's concept of sympathy from *The Theory of Moral Sentiments* is provided which indicates him in this historical misinterpretation of his view of human nature. This had a profound view of human nature, and the psychological analysis will be the way for a greater appreciation of his contributions to understanding human behavior.

SESSION H-3: Some French Contributions III: Argenson and Louis Walras

On Flexible Coefficients of Production by Walras's Model of General Economic Equilibrium

Jan van Duijn
Erasmus University, Rotterdam Economic Institute

In this paper we point to some aspects of introducing flexible coefficients of production into Walras's model of production with fixed coefficients of production. We then discuss Walras's first phase in incorporating flexibility of these coefficients while staying within the limits of competitive equilibrium. A discussion of the existence of a solution of the competitive model then follows. Although Walras took a lively part in the discussion of marginal productivity later, it will be argued that he never went as far as the later view.

Walras's Theories of Unemployment

Donald S. Walker
Indiana University of Pennsylvania

Conflicting interpretations of Louis Walras's writings on unemployment have been made. In order to evaluate the interpretations, it is shown that Walras developed two separate theories of unemployment. One is a disequilibrium-production model. The other is a plagues model, in which transactions and production occur only at the equilibrium set of prices. These models are contrasted and the manner in which they appear in the various editions of Walras's work is used to account for the development of the inconsistent interpretation. It is concluded that the disequilibrium production model is more representative of Walras's work on economic processes than the plagues model.

On the Role of General Equilibrium Theory in Walras's System of Political Economy

René de Ciziol
Eijssendorp-Lindberg, The Netherlands

The paper discusses an ambiguity which arises from a recent controversy as to the role of general equilibrium theory (GE theory) in Walras's system of Political Economy. It is argued in this paper that GE theory forms a systematic part of Walras's theory of a just society. Though this theory is not as systematically developed and presented as a GE theory in the *Elements d'Economie Sociale*, some elements of this theory can be shown to be contained in Walras's *Elements d'Economie Sociale*. The role of GE theory in Walras's normative theory of property and the theory of land nationalization is analyzed leading to the conclusion that Walras used his GE theory as a positive subtheory in his overall normative theory of a just society.

Note on the History of Publication and Sources of the Walras Archives

Robert Gauthier and Jean Michel Servet
Centre Argenson de Louis Walras
University of Lyons

Louis Walras made numerous, necessary plans for the publication of his complete economic works and those of Auguste Walras, his father. However, in the death of Louis Walras, only a part of his work is remembered and a very small part of his father's writings was published. One aim is to bring to light the various phases of the publication and their results. Some typed and others were actually printed out. These various phases for the publication of the complete works of the various members of the Walras family are presented. The various phases of the publication of the complete works of Auguste Walras and Louis Walras are presented. The various phases of the publication of the complete works of Auguste Walras and Louis Walras are presented. The various phases of the publication of the complete works of Auguste Walras and Louis Walras are presented.

The Evolution of Adam Smith's Views on Political Economy

Jerry Evensky
Syracuse University

Adam Smith's views on Political Economy evolved. The young Smith held the sanguine view that over the long term society was moving toward his vision of an ideal order, the Deity's Deign. This movement was an iterative process with periods of regression, but it was ultimately a positive progression. The mature Smith's was more sceptical about the direction of social development. This was due to a growing awareness that mercantilist behavior was not, as he initially believed, a weakening artifact of an earlier, stagnant age, but was rather a dynamic element of an expanding society. This evolution of Smith's views is reflected in his work by his use of language. Initially he writes almost entirely in the language of civil jurisprudence. Over time he draws more and more on the language of civic humanism.

The Historical Misinterpretation of Adam Smith's Views of Human Nature

Paul J. Albanese
Middlebury College

The common conception of Economic Man is an isolated individual selfishly, if not ruthlessly, pursuing his own self interest. Motivation is often reduced to greed, and, provided that self interest is pursued consistently, economic man is considered rational. A psychological analysis of Adam Smith's concept of sympathy from *The Theory of Moral Sentiments* is provided which vindicates him in this historical misinterpretation of his view of human nature. Adam Smith had a profound view of human nature, and the psychological analysis opens the way for a greater appreciation of his contributions to understanding human behavior.

SESSION H-3: Some French Contributions III: Auguste and Léon Walras

On Flexible Coefficients of Production In Walras's Model of General Economic Equilibrium

Jan van Daal
Erasmus University, Rotterdam Econometric Institute

In this paper we point to some aspects of introducing flexible coefficients of production into Walras's model of production with fixed coefficients of production. We then discuss Walras's first ideas on incorporating flexibility of these coefficients while staying within the realm of constancy of returns to scale. A discussion of the existence of a solution of the thus extended model then follows. Although Walras took a lively part in the discussion of marginal productivity later, it will be argued that he never went far from his initial ideas.

Walras's Theories of Tatonnement

Donald A. Walker
Indiana University of Pennsylvania

Conflicting interpretations of Léon Walras's writings on tatonnement have been made. In order to evaluate the interpretations, it is shown that Walras developed two separate theories of tatonnement. One is a disequilibrium-production model. The other is a pledges model, in which transactions and production occur only at the equilibrium set of prices. These models are explained, and the manner in which they appear in the various editions of Walras's work is used to account for the development of the inconsistent interpretations. It is concluded that the disequilibrium-production model is more representative of Walras's work on economic processes than the pledges model.

On the Role of General Equilibrium Theory in Walras's System of Political Economy

Peter de Gijss
Rijksuniversiteit Limburg, The Netherlands

This paper eliminates an ambiguity which arises from a recent controversy on the role of general equilibrium theory (GE-theory) in Walras's system of Political Economy. It is argued in this paper that GE-theory forms a systematic part of Walras's theory of a just society. Though this theory is not as systematically developed and presented as is GE-theory in the *Elements d'économie politique* pure elements of this theory can be shown to be contained in Walras's *Enquêtes d'économie sociale*. The role of GE-theory in Walras's normative theory of property and his theory of land nationalization is analyzed leading to the conclusion that Walras used his GE-theory as a positive subtheory in his overall normative theory of a just society.

Notes on the History of Publications and Reserves of the Walras Archives

Pierre Dockès and Jean Michel Servet
Centre Auguste et Léon Walras
University of Lyons

Léon Walras made numerous, successive plans for the publication of his complete economic works and those of Auguste Walras, his father. However, at the death of Léon Walras, only a part of his work in economics and a very small part of his father's writings was published. Our aim is to bring to light the further plans for publication and their results. Some failed and others were partially carried out. These various plans for the publication illuminate the dispersal of the reserves (mainly between Lausanne, Switzerland—Lyon and Montpellier, France). A team of French economists (Centre Walras of Lyon) is now organizing the publication of the complete economic works of Auguste and Léon Walras. In these 14 volumes, we strive to preserve the structure of Léon Walras plans.

SESSION H-4: Joseph A. Schumpeter I

Selected Excerpts from "The Economics of Joseph A. Schumpeter in the Age of Schumpeter"²-A Monograph
Laurence S. Moss
Babson College
Abstract not received

Schumpeter and the Obsolescence of the Entrepreneur
Richard N. Langlois
University of Connecticut

The literature of technological change is one of the few areas of economic writing in which Joseph Schumpeter has maintained a following and in which he has been accorded some modicum of the attention he deserves. There has grown up within this literature a standard interpretation of Schumpeter's famous assertion that progress will eventually come to be "mechanized." The conventional wisdom goes something like this. The argument in Schumpeter's early writings is really quite different from that in his later work. There are, in effect, two Schumpeters: an "early" Schumpeter and a "later" Schumpeter. It was the former who believed in the importance of bold entrepreneurs, while the latter envisaged their demise and replacement by a new model of economic organization. I argue that this conventional wisdom is wrong: that Schumpeter's vision was completely consistent -- even remarkably consistent -- over the years. More importantly, I contend that Schumpeter's analysis of the obsolescence of the entrepreneur has another source: that it ultimately reflects an unresolved tension in his work. Perhaps there are two Schumpeters; but they coexist simultaneously throughout his writings.

Schumpeter's Theory of Credit and His Concepts of Capital and Interest
James S. Earley
University of California, Riverside

The explanation for Schumpeter's "heretical" concepts of Capital and Interest lay in his theory of Credit and the role it plays in economic development and business cycles. His concepts of Capital and Interest ran along "financial" lines, rather than the "real" lines of traditional economic theory. An important objective of Schumpeter's work was to get "Money" onto the "ground-floor" of economics. He seemed to be groping toward what he termed a "credit theory of Money." Toward this he made much progress, notably by his financial concepts of Capital and Interest and by making Financial Intermediation a central element in his Credit theory. But there were serious inconsistencies between his theory of Interest and his financial concepts. His progress was also hampered by not having freed himself more completely from traditional monetary theory and by using a now obsolete model of Financial Intermediation.

SESSION H-5: Issues in the Study of the History of Economic Thought

The Uses of the past
Axel Leijonhufvud
University of California, Los Angeles
Abstract not received

Form and Content in Appraising Recent Economic Developments
David C. Colander
Middlebury College
Abstract not received

Dissonance, Dissent and Discovery: Applying Psychology to the Intellectual History of Economics
Shlomo Maital
Technion-Israel Institute of Technology, Haifa

Changes of paradigm in economics, as in all disciplines, involve attitude change. The psychological model of attitude change known as cognitive dissonance is a useful historiographic tool. It suggests that economic thought is driven by the search for theoretical consistency, while dissonant evidence rarely produces a paradigm change. The fall from grace of Keynesianism is interpreted as a drive to rebuild macroeconomics on utility-maximization foundations. Two episodes of changes of mind and heart -- by David Ricardo and Milton Friedman -- illustrate attitude change as a cognitive dissonance process.

SESSION H-6: Some Italian Contributions III

Tendencies in Economic Theoretical Studies in Italy in the Second Postwar Period (1945-60)
M. Bargella
University of Sassari, Italy

The purpose of this paper is to examine the studies on economic theory that appeared in Italy in the immediate postwar period against the backgrounds of the trends that emerged in the Italian neoclassical school over the same period. It is divided in three sections: (a) tendencies in the Italian neoclassicism in the 30s and in the 40s; (b) the relationships between neoclassicism and Keynesianism in the 50s; (c) new tendencies in the economic theoretical studies: the "modelizing" of the Italian economy. The confrontation between Italian developments of pure theory in the 50s. On the contrary, it determined a development of studies with more empirical content. At the same time there was also a new way to approach to the theory, i.e., modelizing some structural features of the Italian economy. This way was introduced by P. Sylos Labini's contribution to the theory of industrial dualism.

The Crisis in Political Economy: The Italian Case

Luigi Paganetto
University of Rome

Abstract not received

SESSION I-1: Some Italian Contributions IV

Monetary Theory in Italy

Marcello De Cecco
University of Rome

Abstract not received

Marco Fanno and Modern Cycle Theory

Terencio Cozzi
University of Turin

Abstract not received

Some Contributions of Italian Economists to Economic Dynamics and Long-Term Fluctuations

Massimo Di Matteo
University of Siena

Abstract not received

SESSION I-2: Classical Economics IV

Induction, Deduction and the Role of Mathematics: The Whewell Group vs. the Ricardian Economists

James P. Henderson
Valparaiso University

The paper explores the role of mathematics in the debate concerning methodology. After reviewing mathematics and the Ricardian deductive methodology, we examine William Whewell's use of mathematics to correct faulty deduction and the role of mathematics in an inductive approach to economics. Next we review the inductive methodology of the other members of the Whewell Group of Mathematical Economists: Rogers, Thompson, Tuer, Lubbock, and Lardner. Whewell's strategy for overthrowing deduction and developing an inductive economics is reviewed. Finally, the later bifurcation in mathematical economics is examined.

Translations of Economic Literature into English, 1700-1850

Kenneth Carpenter
Harvard University Library

Abstract not received

Abstracts

Comment on Neil de Marchi on 'Mill Interpretation Since Schumpeter'

Samuel Hollander
University of Toronto

Abstract not received

SESSION I-3: Some Fundamental Issues in Economic Thought

The Concept of Value in Economic Thought

M. Northrup Buechner
St. John's University, New York

"Economic value" is the fundamental concept of economic thought. The valid concept of value is objective value - value as an aspect of reality which stands in a specific relationship to acting, valuing men. Two invalid concepts of value have dominated economic thought: (1) subjective value - value as *in man*, an arbitrary creation of man's mind, independent of reality; (3) intrinsic value (which ruled classical economics) - value as *in the object*, prior to and independent of men's values and evaluations. The meaning of exchange value differs markedly depending on which of these concepts of value is taken as a base.

The Place of *Laborem Exercens*

Stephen P. Worland
University of Notre Dame

Abstract not received

The Epistemological Foundations of Economic Theory

Francis Condís y Troyano
Universitaire Catholique de Mons

Abstract not received

SESSION I-4: Heterodox Economic Thought

R.H. Tawney on the Efficiency of Collective Action

Barry S. Clark
University of Wisconsin, La Crosse

Tawney is frequently interpreted as a Christian moralist whose critique of property rights is based on a medieval and religious notion of social purpose. While recognizing the differences between Tawney's style of economic analysis and that of the neoclassical mainstream, this paper develops the claim that Tawney's reliance on efficiency arguments makes his work accessible to and worthy of consideration by economists. Specifically, Tawney anticipated recent work in welfare economics by demonstrating the psychological underpinnings

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of economic efficiency. Recognizing the process by which institutions mold preferences and behavior, Tawney developed a more encompassing and dynamic version of efficiency which offers a standard for differentiating between property rights which contribute to efficiency and those which obstruct it. Thus Tawney was able to derive normative judgments from an objective analysis of the behavioral responses of individuals to their institutional environment.

The Radical Political Economy of Smith Adams: Political Economy for Plain People Revisited

Vaughan Galt
Trent Polytechnic, Nottingham

1909 saw the publication of *Political Economy for Plain People* by Smith Adams. The book is not a seminal work of economics but was produced as a teaching text for ordinary people. It represents a style of product in vogue in the first decade of the twentieth century in the UK with strong moral and socialist principals. It is in marked contrast to the developing neoclassical paradigm. It provides an insight into the alternative view on theory and policy of the more radical socialists. Views that are not dissimilar from those of the New Left.

Forgotten Sessions? The Economics of Democratic Socialism After Fifty Years

Elizabeth Durbin
New York University
Abstract not received

Richard Tawney on Workers' Self-Governance

John E. Elliott
University of Southern California
Abstract not received

SESSION I-5: Joseph A. Schumpeter II

Joseph Schumpeter's Methodology in Presenting a History of Economics

John J. Bethune
Bellarmine College

Though some writers still consider Joseph Schumpeter's methodology in writing *History of Economic Analysis* true to his intended approach (as stated in Part I), there seems to be a general consensus among historians of economic thought that Schumpeter did not follow his stated methodology. Agreeing with this consensus, this paper attempts to identify specific instances where Schumpeter does not follow his stated methodology. These deviations, as well as the presence of personal bias on Schumpeter's part are then linked to his own biography. It is concluded that Schumpeter utilizes a methodological approach much closer to those considered "biographical" or "relativist" than to those which are considered "positive" or "absolutist."

Schumpeter and Galbraith: A Comparative Analysis on the Modern Corporate Economy

Dale L. Cramer and Charles G. Leathers
University of Alabama

This paper emphasizes Schumpeter's more recent views (1942-1949) on the transition of entrepreneurial capitalism and re-interprets, mainly on his terms, trends of his transitional thought which gives support to the case of corporatism as an alternative to individual entrepreneurial capitalism and socialism. It also explores the parallels and differences in the views of Schumpeter and Galbraith with respect to bureaucratic corporations and their socio-economic effects.

There is an element of Galbraith's thesis which suggests a solution to the problem of cooperation perceived by Schumpeter, but the new industrial state has emerged in a purely evolutionary, secular sense. In contrast, Schumpeter asserted that a cooperative system among producers would emerge only after a moral reform has occurred.

A Neglected Chapter in Schumpeter's Theory of Economic Development: A Research Program of the Universal Social Science

Y. Shionoya
Hitotsubashi University, Tokyo

In the final chapter of the first German edition of *Theory of Economic Development* Schumpeter presented a grand vision of socio-cultural development. On the basis of the identification of specific research areas of the social sciences he applied the statics-dynamics dichotomy to each area and discussed the interrelations between the areas of social life. He omitted this chapter from the second and subsequent editions and it has been completely forgotten. But it contains a unique research program of the universal social science, which gives a basic framework for the systematic understanding of Schumpeter's thought on the relations between statics, dynamics and theory of historical evolution. After reconstructing his research program in four stages, this paper examines its nature and significance with special reference to Marx and Schmoller, two economists with comparable research programs of the universal social science.

SESSION J-1: Some Danish Contributions

Danish Economic Theory — Were the Swedes Better?

Hans Brems
University of Illinois, Champaign/Urbana

Inevitably the post-1870 neoclassical revolution spread to Scandinavia. In Denmark Westergaard and Birk introduced it in its Jevonian and Marshallian forms. But by confining themselves to do-it-yourself households and partial equilibria, respectively, Jevons and Marshall had both missed general equilibrium.

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By skipping Jevons and Marshall and introducing general equilibrium in its Böhm-Bawerkian and Walrasian forms, respectively, Wicksell and Cassel gave Sweden a head start. Walras reached Denmark only with the second generation after Westergaard. Zeuthen was the first to use inequalities in general-equilibrium theory, thus formulating the primal half of what was to become the von Neumann duality.

The Marginal Revolution in Denmark

Niels Kaergaard

Institute of Economics, University of Copenhagen

The paper discusses the penetration in Denmark of the marginalist analysis during the period 1870-1890. First, the contributions of Claudius Wilkens, Bing and Julius Petersen are reviewed. They are all independent of the international pioneer works, being contemporary to or even preceding them. Secondly, it is demonstrated that the international literature had a rapid impact in Denmark, especially by Harald Westergaard, but also through others. The debate on the marginal utility theory in Denmark was closely connected with the issue of economic policy at the time which helps to explain why interest in the new theories spread so rapidly.

Danish Economists on the Issue of Funding Versus Pay-As-You-Go

Jörn Henrik Petersen

University of Odense

In 1891 Denmark introduced tax financed, pay-as-you-go based old-age pensions. During the following half century proposals were put forth based on contributory insurance and funding. None have reached the point of serious legislative consideration. One of the reasons is the contributions of Danish economists to the debate. They did not consider voluntary saving inadequate, did not consider a pension fund the logical place to accumulate reserves, did not consider a life-cycle theory of saving and did emphasize that the choice between the alternative systems of finance has to be considered within the context of the general fiscal policy pursued. It is demonstrated that the Danish discussion of the 30s and 40s anticipates the American debate following Feldstein's 1974 paper on social security and capital accumulation.

The Introduction of New Ideas on Fiscal Policy in Denmark, 1930-1945

Niels-Henrik Topp

Institute of Political Studies, University of Copenhagen

The subject of this article is the debate in Denmark in the period from 1930 to 1945 about the use of the budget as a means of affecting economic activity. It is the aim to examine the introduction of the new ideas on fiscal policy and to explain what decided their fate among Danish economists and politicians. Economists in Denmark and abroad established a theoretical foundation which supported new approaches to the use of a budgetary policy. At the same time economists who were traditionally in favour of a balanced budget left the

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possibility open that fiscal measures might be necessary to remedy the extraordinary degree of unemployment in the 1930s. The period, however, was characterized by major restraints - both economic and political - on fiscal policy in Denmark, and so it was not until the post-war period that the new ideas were introduced into the programmes of the political parties.

SESSION J-2: Liberal Economic Thought

The Financial Writers of the Eighteenth Century

Salim Rashid

University of Illinois, Champaign/Urbana

Abstract not received

The Labour Theory of Value in Adam Smith

Pier Luigi Porta

University of Milan, Italy

In expounding his labour-commanded principle of the value of things, Adam Smith is actually implying a subjective view of value, i.e., a view based on individual choice, which can be contrasted to an objective view of value, such as it is embodied in the labour theory of value.

SESSION J-3: Early Economic Thought

Rational Choice in Homeric Epics

David Levy

George Mason University

Abstract not received

Political Economy of Han Feitzu

Young Back Choi

State University of New York, Old Westbury

Ancient China produced in Han Feitzu (d.233 B.C.) an impressive system of political economy. His conception of human nature reminds us of the "economic man". The concept was rigorously applied to the most important question of the day: how to create a strong and prosperous nation. He had a great appreciation of the nature of the problem of social coordination and competition. The quality of his reasoning is evidenced by his investigation of ideas that resembled modern economic concepts, e.g., scarcity, opportunity cost, Law of Demand, public goods, and the problem of agency. Furthermore, he made a clear distinction between positive analysis and normative analysis.

SESSION J-4: J.M. Keynes IV: Philosophical Issues

On the Ethical Basis of Keynes's Economic Policies: Speculations on His Juvenilia

Suzanne W. Helburn
University of Colorado, Denver

In *John Maynard Keynes, Volume I: Hopes Betrayed*, Robert Skidelsky considers Edmund Burke and G.E. Moore major influences in the formation of Keynes's political philosophy and ethics of action. However, Donald Moggridge, in his review of Skidelsky's book (*HOPE*, Vol. 18, #1, Spring, 1986), questions the degree of importance Skidelsky attaches to Keynes's early beliefs, in particular the influence of Moore and Burke, to Keynes's mature working political philosophy. Based on Keynes's Juvenilia papers, this paper captures Keynes's early deliberations and conclusions about an appropriate ethics of action. It demonstrates the considerable influence of Burke and Moore in framing the context of Keynes's inquiries, but, more importantly, the early and deliberate development by Keynes of his own political utilitarianism and of an ethics of action in public life which he considered appropriate to the times yet protective of his responsibilities for his personal development. This paper shows the influence on Keynes of Burke and Moore, and the continuity between Keynes's early writing and his later approach to economic policy making.

Does the 'Keynesian Revolution' Confirm the Existence of a Lakatosian Arbitrator in Economics?

Guy Ahonen

Swedish School of Economics and Business Administration, Helsinki, Finland

In *The General Theory of Employment, Interest, and Money* (1936) Keynes argued that "The effective demand associated with full employment [assumed by classical theory] is a special case, only realised when the propensity to consume and the inducement to invest stand in a particular relationship to one another." This statement indicates that Keynes' intention was to expand the empirical content of economic theory. In Lakatos' (1970) vocabulary, his Research Programme was intended to form a theoretically progressive problem shift. The Lakatosian theory of theory choice indicates that the Keynesian theory should have replaced the classical and the neoclassical core of economics. It is argued in this paper that the 'Keynesian revolution' had a minor impact on the core of economics. Accordingly it is maintained that the Lakatosian arbitrator does not seem to work in economics. The Lakatosian arbitrator is contrasted with a wider frame of reference, which is called the transition thesis. According to this theory the explanation of theory choice must be based on those factors which give economics its external scientific status. This approach also stresses the original structure of science. It is maintained that the case of Keynes seems to indicate that the Lakatosian arbitrator does not sufficiently explain theory choice in economics. It is too internally oriented and should be qualified with external determinants.

Abstracts

Keynes and Shackle on Economic Methodology: Towards a New Economics

John Pheby
Birmingham Polytechnic
Abstract not received

SESSION J-5: The Enterprise

The Relation Between Competition and Finance in the History of Economics

William Darity, Jr. Bobbie L. Horn
University of North Carolina, Chapel Hill University of Tulsa

Abstract not received

A Taxonomy of Entrepreneurial Theories in the History of Economic Thought

Humberto Barreto
Wabash College

Throughout the history of economic thought, the entrepreneur has been cast in a variety of key functional roles. In theories spanning place, time and problem orientation, the entrepreneur has played coordinator, arbitrageur, innovator and uncertainty bearer. With the obvious exception of orthodox micro theory, the entrepreneur has been a fundamental agent in various theories of production, distribution and growth.

This paper provides a categorization of the many faces of the entrepreneur. Arranging a mix of different characterizations into a logical framework provides a method with which to analyze research into entrepreneurship. The ultimate objective, however, is to convey the fundamental, indispensable nature of the entrepreneur throughout the history of economic thought.

The Shirking Problem: Historical Roots of Current Controversy

Beth V. Yarbrough and Robert M. Yarbrough
Amherst College

The theory of the firm has evolved from a mechanical analysis of the translation of homogeneous inputs into output by means of a technologically-determined production function into an organizational analysis allowing for intrafirm behavior that may not maximize firm profits. This progress has occurred within institutional, behavioral-managerial, transaction-cost, and sociological frameworks. However, the progress has been slowed by a lack of interaction among "non-orthodox" contributors. This paper utilizes the labor-shirking issue as a vehicle for examining the questions raised by the study of intrafirm behavior. The origins of the modern views in the works of Adam Smith, Karl Marx, Frank Knight, Ronald Coase, and John Commons are outlined; and the key interrelationships among the various modern literatures are highlighted.

The following served as Discussants at the Conference:

James C.W. Ahiakpor
Guy Ahonen
Paul J. Albanese
Loring Allen
Jack Amariglio
Peter Asch
Juergen Backhaus
Nicholas W. Balabkins
Ingo Baren
Humberto Barreto
Bradley W. Bateman
Sandra R. Baum
Randall Bausor
John J. Bethune
R.D. Collision Black
Stephan Boehm
Samuel Bostaph
W. Robert Brazelton
Hans Brems
Y.S. Brenner
M. Northrup Buechner
Bruce Caldwell
Antonio Callari
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John K. Whitaker
Murray Wolfson

The Presidential Address given by Abraham Hirsch entitled, "What Is An Empiricist? Wesley Clair Mitchell In Broader Perspective" will appear in the Spring, 1988 issue of the *Bulletin*.