

HISTORY OF ECONOMICS SOCIETY

Conference Program and Abstracts



28th Annual Meeting, June 29-July 2, 2001

Wake Forest University, Winston-Salem, North Carolina

History of Economics Society
28th Annual Meeting
Wake Forest University
Winston-Salem, North Carolina

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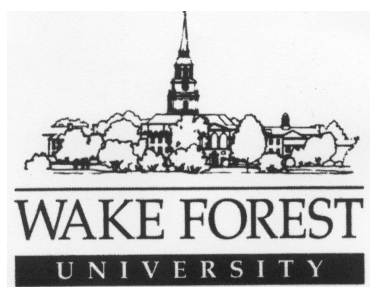
HISTORY OF ECONOMICS SOCIETY

**28th Annual Meeting
Wake Forest University
Winston-Salem, North Carolina**

Officers

Acknowledgments

Schedule of Events



History of Economics Society

**28th Annual Meeting
Wake Forest University
Winston-Salem, North Carolina
June 29 – July 2, 2001**

Officers

President: Dan Hammond, Wake Forest University
President-elect: Kevin Hoover, University of California, Davis
Vice President: Wade Hands, University of Puget Sound
Secretary-Treasurer: Neil Niman, University of New Hampshire

The Executive Committee consists of the foregoing and the following officers:

Past Presidents: John Davis, Marquette University
Bruce Caldwell, University of North Carolina at Greensboro
Elected Members: Annie Cot, Université Paris I Panthéon-Sorbonne (2003)
Sandra Peart, Baldwin-Wallace College (2003)
Jeff Biddle, Michigan State University (2002)
Avi Cohen, York University (2002)

Editor, *Journal of the History of Economic Thought*:

Steve Medema, University of Colorado at Denver

Manager of Electronic Information:

Ross Emmett, Augustana University College

Acknowledgments

Special thanks to the following:

Individuals who organized the following sessions for the conference:

Judy Klein and Phil Mirowski, Session 1D, Postwar Theories of Command and Control in Economics

Larry Moss, Session 2A, Remembrance and Appreciation Session for George J. Stigler

Robert Dimand, Session 3A, The Status of Women in Classical Economic Thought

Sandra Peart and David Levy, Session 3C, Transforming the Human? Chemical and Mathematical Economics in the 19th Century

Craufurd Goodwin and Neil De Marchi, Session 5A, Roundtable: Guide to the History of Economics

Sandra Peart, Sessions 5B & 6A, Young Scholars Sessions I & II

Sandra Peart and David Levy, Session 8B, Visual Representation and Economics

Dorfman Dissertation Prize Committee

Avi Cohen, Chair
James P. Henderson
Neil Niman

Best Article Committee

Jeffrey Young, Chair
Tony Brewer
Bob Dimand
Evelyn Forget
Francisco Louçá
Pier Luigi Porta

Wake Forest University Officers and Staff

Paul D. Escott, Dean, College of Arts and Sciences
Allin Cottrell, Chair, Department of Economics
Laura Covington, Administrative Assistant, Department of Economics
Joanne VanSice, Administrative Assistant, American Ethnic Studies
Tricia Richerson and Patricia Pfaff, Residence Life and Housing
Cindy Caines and David Taylor, Aramark
Chris Parrish and Angie Sink, Babcock Graduate School of Management
Jeffrey Kramer, STARS Program

Distinguished Fellows Committee

Bruce Caldwell, Chair
David Colander
Robert Clower

Nominating Committee

Robert Clower, Chair
A.W. Coats
Warren Samuels

**Schedule of Events
Friday, June 29**

Time	Event	Location
2:00 - 6:00	Registration	Luter lounge
6:00 - 7:00	Distinguished Guest Lecture Stephen M. Stigler, Ernest DeWitt Burton Distinguished Service Professor of Statistics, University of Chicago "Statisticians and the History of Economics"	Worrell 1312
7:00 - 9:00	North Carolina Barbeque and Bluegrass Music (ticket required)	Worrell Courtyard

**Schedule of Events
Saturday, June 30**

Time	Event	Location
7:00 - 9:30	À la Carte Breakfast	Reynolda, Cafeteria
8:00 - 4:30	Sessions	Worrell
9:00 - 12:30 & 2:00 - 4:30	Electronic History of Economics: Demonstration	Worrell 1113
9:00 - 12:30 & 2:00 - 4:30	Economists in the Movies: Video Diversion	Worrell 1125
11:00 - 1:30	À la Carte Lunch	Reynolda, Cafeteria
12:30 - 2:00	Catered Lunch (ticket required)	Reynolda, Magnolia Room
12:30 - 2:00	Executive Committee Lunch Meeting	Reynolda, Autumn Room
5:00 - 6:00	HES Business Meeting	Worrell 1312
6:00 - 7:00	Cash Bar	Luter Lounge
6:30 - 11:00	Free Bus Service to Stratford Road Restaurants	Luter Hall

**Schedule of Events
Sunday, July 1**

Time	Event	Location
7:00 - 9:30	À la Carte Breakfast	Reynolda, Cafeteria
8:00 - 4:30	Sessions	Worrell
9:00 - 12:30 & 2:00 - 4:30	Electronic History of Economics: Demonstration	Worrell 1113
9:00 - 12:30 & 2:00 - 4:30	Economists in the Movies: Video Diversion	Worrell 1125
11:00 - 1:30	À la Carte Lunch	Reynolda, Cafeteria
12:30 - 2:00	Catered Lunch (ticket required)	Reynolda, Magnolia Room
6:00 - 6:45	HES Presidential Address John Davis, Professor of Economics, Marquette University "The Emperor's Clothes"	Worrell 1312
6:45 - 7:30	Reception	Reynolda, Green Room
7:30 - 9:30	Banquet (ticket required)	Reynolda, Magnolia Room

**Schedule of Events
Monday, July 2**

Time	Event	Location
7:00 - 9:30	À la Carte Breakfast	Reynolda, Cafeteria
8:00 - 12:30	Sessions	Worrell
9:00 - 12:30	Economists in the Movies: Video Diversion	Worrell 1125
11:00 - 1:30	À la Carte Lunch	Reynolda, Cafeteria
12:00 - 3:00	Check Out	Luter Lounge

HISTORY OF ECONOMICS SOCIETY

**28th Annual Meeting
Wake Forest University
Winston-Salem, North Carolina**

Letter from:

**Steven G. Medema, Editor
*Journal of the
History of Economic Thought***

and

**J. Daniel Hammond, President-elect
History of Economics Society**



Department of Economics

May 8, 2001

To: Paper Presenters, 2001 HES Meetings, Wake Forest University

From: Steven G. Medema, Editor, *Journal of the History of Economic Thought*
J. Daniel Hammond, President-elect, History of Economics Society

Re.: *JHET* Conference Issue

The June 2002 issue of the *Journal of the History of Economic Thought* will publish a selection of papers from the 2001 History of Economics Society meeting, which is being held in at Wake Forest University. All individuals who are presenting papers at the conference are encouraged to submit their work for consideration for publication in this issue. This issue will be jointly edited by Steve Medema (*JHET* Editor) and Dan Hammond (HES President-elect and conference organizer).

All papers submitted for consideration for inclusion in this issue will be refereed according to the standard *JHET* refereeing process. Thus, while the June issue contains papers from the HES conference, the standards for publication are identical to those for any other issue of *JHET*. Should we determine that we have more acceptable papers than will fit into the June issue, those not appearing in that issue will be published subsequent issues of *JHET*.

Because of the time-consuming nature of the refereeing process, the editorial timeline for preparing this issue of the *Journal* is very short. As such, we are encouraging those individuals who are presenting papers to submit their paper directly at the conference. Submitting one's paper at this time is not required for consideration for inclusion in this special issue of *JHET*. The deadline for submission is July 31, 2001.

Those wishing to submit their papers at the conference should give FOUR copies of the paper to Steve Medema, Editor, or Carolyn Bauer, Managing Editor, at that time. This will allow us to process the papers on site, and to get papers into the hands of referees virtually immediately. The paper should include contact information (including regular mail and email addresses) for the author.

P.O. Box 7505, Winston-Salem, North Carolina 27109-7505 336.758.5334 / fax 336.758.6028

If you wish to submit your paper subsequent to the conference, you may send it to one of the following addresses:

By Mail:

Steven G. Medema, Editor

JHET

Dept. of Economics

CB 181

University of Colorado at Denver

P.O. Box 173364

Denver, CO 80217-3364

USA

By Courier:

Steven G. Medema, Editor

JHET

Dept. of Economics

University of Colorado at Denver

1380 Lawrence Street

Suite 460

Denver, CO 80204

USA

I very much look forward to seeing you in Winston-Salem for what promises to be an excellent conference.

HISTORY OF ECONOMICS SOCIETY

**28th Annual Meeting
Wake Forest University
Winston-Salem, North Carolina**

Sessions Program

**HES 2001
Wake Forest University
Sessions Program**

Session 1A, 8:00-10:00, June 30, Worrell 1117

Session Title: Monetary Theory

Chair: Robert Clower, University of South Carolina

Paper 1: Joerg Bibow, University of Hamburg & Jerome Levy Economics Institute, "What Has Happened to Monetarism?"

Paper 2: Sasan Fayazmanesh, California State University, Fresno, "The Matrix of Exchange and the Real World"

Paper 3: Richard A. Kleer, University of Regina, "War Finance, Politics and Coinage Reform: Reappraising Locke's Case Against Devaluing the English Pound"

Discussant 1: Gilles Dostaler, Université du Québec à Montréal

Discussant 2: Jae Ick Bin, Université de Paris 10 - Nanterre

Discussant 3: Andrea Maneschi, Vanderbilt University

Session 1B, 8:00-10:00, June 30, Worrell 1109

Session Title: Simon, Carnegie, and Choice Theory

Chair: Maurice Lagueux, Université de Montréal

Paper 1: Ana Maria Bianchi, Universidade de São Paulo & Roberta Muramatsu, Erasmus University at Rotterdam, "What Drives Ulysses Back to Ithaca: Preliminary Notes on the Logic of Choice"

Paper 2: Roger Frantz, San Diego State University, "Herbert Simon: Artificial Intelligence as a Framework for Understanding Intuition"

Paper 3: Hamid Hosseini, King's College, "The Arrival of Behavioral Economics: From Michigan, or the Carnegie School in the 1950s and the early 1960s?"

Discussant 1: Maurice Lagueux, Université de Montréal

Discussant 2: Andrea Salanti, Università di Bergamo

Discussant 3: Bruce Elmslie, University of New Hampshire

Session 1C, 8:00-10:00, June 30, Worrell 1108

Session Title: Economic Growth and Social Processes

Chair: Mark Perlman, University of Pittsburgh

Paper 1: Betsy Jane Clary, College of Charleston, "The Development of Adolph Lowe's Theory of *Spontaneous Conformity* and Its Policy Implications"

Paper 2: Ingrid Rima, Temple University, "The (Forgotten?) Link Between the Entrepreneur, Increasing Returns, and Economic Growth"

Paper 3: Masazumi Wakatabe, Waseda University, "Knowledge and Economic Development: Two Divergent Views from Mandeville to Mill"

Discussant 1: Kimberly Phillips-Fein, Columbia University

Discussant 2: Mark Perlman, University of Pittsburgh

Discussant 3: TBA

Session 1D, 8:00-10:00, June 30, Worrell 1107

Session Title: Postwar Theories of Command and Control in Economics

Chair: Wade Hands, University of Puget Sound

Paper 1: Judy L. Klein, Mary Baldwin College, "The Stochastic Arts in the 1960s"

Paper 2: Phillip Mirowski, University of Notre Dame, "From Econometrics to Cognition as Intuitive Statistics"

Discussant 1: Robert Dimand, Brock University

Discussant 2: Wade Hands, University of Puget Sound

Session 2A, 10:30-12:30, June 30, Worrell 1117

Session Title: Remembrance and Appreciation Session for George J. Stigler

Chair: Laurence S. Moss, Babson College

Paper 1: Stephen M. Stigler, University of Chicago, "Thoughts About My First Math Teacher"

Paper 2: David Levy, George Mason University, "Stigler as a Dissertation Adviser"

Paper 3: Craufurd Goodwin, Duke University, "Stigler as a HOPE Referee"

Paper 4: Michele I. Naples, The College of New Jersey, "Observations about Stigler's Price Theory Text"

Paper 5: Steven G. Medema, University of Colorado at Denver, "Stigler's Texts and the Diffusion of the 'Coase Theorem'"

Paper 6: Claire Friedland, University of Chicago, "Stigler and the Theory of Economic Policy"

Paper 7: Warren J. Samuels, Michigan State University, "George Stigler on the Economic Role of Government"

Paper 8: Dan Hammond & Claire H. Hammond, Wake Forest University, "Notes on the Stigler-Friedman Correspondence"

Session 2B, 10:30-12:30, June 30, Worrell 1109

Session Title: Aggregates and Capital Theory

Chair: Stephen Meardon, Williams College

Paper 1: Avi Cohen, York University & G.C. Harcourt, Cambridge University, "Some Cambridge Controversies in the Theory of Capital Revisited"

Paper 2: Bruce Elmslie, University of New Hampshire & Norman Sedgley, Loyola College, "The Reswitching Debate: Whence It Came and Where It Went"

Paper 3: Nicole Sackley, Princeton University, "Thinking in Aggregates: Nations as Economies and Economists of Nations"

Discussant 1: Takashi Yagi, Gunma University

Discussant 2: Mario Gómez Olivares, Universidade Técnica de Lisboa

Discussant 3: Stephen Meardon, Williams College

Session 2C, 10:30-12:30, June 30, Worrell 1108

Session Title: Business Cycles and Unemployment

Chair: Perry Mehrling, Barnard College

Paper 1: Elisabeth Allgoewer, University of St. Gallen, "Emil Lederer: Crises and Business Cycles"

Paper 2: Mauro Boianovsky, Universidade de Brasília & Hans-Michael Trautwein, University of Oldenburg, "Wicksell, Cassel and the Idea of Involuntary Unemployment"

Paper 3: Goulven Rubin, Université de Paris X, Nanterre, "Don Patinkin and the Pigou Effect: a Rereading"

Discussant 1: Perry Mehrling, Barnard College

Discussant 2: James Rhodes, National Graduate Institute for Policy Studies

Discussant 3: Hansjörg Klausinger, Vienna University of Economics and Business

Session 2D, 10:30-12:30, June 30, Worrell 1107

Session Title: Philosophy and Methodology I

Chair: Wade Hands, University of Puget Sound

Paper 1: Luigino Bruni, University of Milan & University of East Anglia, "Economics and Happiness: an Historical-Methodological Overview"

Paper 2: Julian Reiss, London School of Economics, "Gustav Schmoller's Baconian Philosophy of Economics"

Paper 3: Alex Viskovatoff, University of Pittsburgh, "Justifying Economics"

Discussant 1: Roger Frantz, San Diego State University

Discussant 2: Wade Hands, University of Puget Sound

Discussant 3: Erik Angner, University of Pittsburgh

Session 2E, 10:30-12:30, June 30, Worrell 1101

Session Title: Literature, Philosophy, and Economics

Chair: Manuel Santos-Redondo, University Complutense de Madrid

Paper 1: James P. Henderson, Valparaíso University, "'Wicked Cant:' Charles Dickens Versus the Malthusian Analysis of Poverty"

Paper 2: Michael Collins, National University of Singapore, "John von Neumann, Literature and Game Theory"

Paper 3: Mike Lawlor, Wake Forest University, "William James and Psychological Pragmatism: Belief, Experience and Habit"

Discussant 1: Nicola Tynan, Dickinson College

Discussant 2: Manuel Santos-Redondo, University Complutense de Madrid

Discussant 3: Robin Neill, University of Prince Edward Island & Carleton University

Session 3A, 2:30-4:30, June 30, Worrell 1117

Session Title: The Status of Women in Classical Economic Thought

Chair: Robert Dimand, Brock University

Paper 1: Chris Nyland, Monash University, "Adam Smith, Stage Theory and the Status of Women"

Paper 2: Annie L. Cot, Université de Paris I Pantheon-Sorbonne, "Castrated Minds: Jeremy Bentham's Radical Positions on the Status of Women"

Paper 3: Robert Dimand, Brock University, "Women in Nassau Senior's Economic Thought"

Discussant 1: William Kern, Western Michigan University

Discussant 2: Rob Garnett, Texas Christian University

Discussant 3: Laurence Moss, Babson College

Session 3B, 2:30-4:30, June 30, Worrell 1109

Session Title: Philosophy and Methodology II

Chair: John Davis, Marquette University

Paper 1: Francesco Guala, University of Exeter & Andrea Salanti, Università di Bergamo, "On the Robustness of Economic Models"

Paper 2: Gisèle Chevalier, Université de Moncton & Richard Hudson, Mount Allison University, "Searlean Collective Intentionality in Finance"

Discussant 1: Eleonora Sanfilippo, University of Viterbo-La Tuscia

Discussant 2: James Wible, University of New Hampshire

Session 3C, 2:30-4:30, June 30, Worrell 1108

Session Title: Transforming the Human? Chemical and Mathematical Economics in the 19th Century

Chair: David M. Levy, George Mason University

Paper 1: David M. Levy, George Mason University & Sandra Peart, Baldwin-Wallace College, "The Chemical School of Political Economy Against the Mathematical: Remaking the 'Human Herd'"

Paper 2: Laura Valladão de Mattos, Pontifica Universidade Catolica de Sao Paulo, "Mill's Transformational Economics"

Paper 3: Andrew Farrant, George Mason University, "J. S. Mill & the Transformation of Society: Lessons from the Debate over James Mill's Essay on Government"

Discussant 1: Leandro Montello, Universite de Paris I Pantheon-Sorbonne

Discussant 2: Anthony Waterman, University of Manitoba

Discussant 3: Mark Perlman, University of Pittsburgh

Session 3D, 2:30-4:30, June 30, Worrell 1107

Session Title: Keynes I

Chair: Mauro Boianovsky, Universidade de Brasilia

Paper 1: James C.W. Ahikpor, California State University-Hayward, "Say's Law: Keynes's Success with its Misrepresentation"

Paper 2: Jae Ick Bin, Université de Paris 10 - Nanterre, "J. M. Keynes on Conception of Monetary Economy"

Paper 3: Petur Jonsson, Fayetteville State University, "Hobson, Keynes and the General Theory"

Discussant 1: Mauro Boianovsky, Universidade de Brasilia

Discussant 2: Goulven Rubin, Université de Paris X, Nanterre

Discussant 3: Elisabeth Allgoewer, University of St. Gallen

Session 3E, 2:30-4:30, June 30, Worrell 1101

Session Title: Perspectives on Finance

Chair: Joerg Bibow, University of Hamburg & Jerome Levy Economics Institute

Paper 1: Perry Mehrling, Barnard College, "Fisher to Black: A Century of American Finance"

Paper 2: James Rhodes, National Graduate Institute for Policy Studies, "Interest with Appreciation The Original Fisher Equation"

Discussant 1: Phil Mirowski, University of Notre Dame

Discussant 2: Joerg Bibow, University of Hamburg & Jerome Levy Economics Institute

Session 4A, 8:00-10:00, July 1, Worrell 1117

Session Title: 18th Century Economics

Chair: Neil Skaggs, Illinois State University

Paper 1: Andrea Maneschi, Vanderbilt University, The Tercentenary of Henry Martyn's *Considerations Upon the East-India Trade*

Paper 2: Carl Wennerlind, Barnard College, "Was David Hume Really a Quantity Theorist?"

Paper 3: Paola Tubaro, Université de Paris 10 - Nanterre, "A Case Study in Early Mathematical Economics: Pietro Verri and Paolo Frisi, 1772"

Discussant 1: Melvin L. Cross, Dalhousie University

Discussant 2: Neil Skaggs, Illinois State University

Discussant 3: Richard Kleer, University of Regina

Session 4B, 8:00-10:00, July 1, Worrell 1109

Session Title: Keynes II

Chair: John Lodewijks, University of New South Wales

Paper 1: Gilles Dostaler, Université du Québec à Montréal, "Keynes and Politics: Action and Vision"

Paper 2: Mario Gómez Olivares, Universidade Técnica de Lisboa, "How and When Did Keynes Write the *General Theory*?"

Paper 3: Eleonora Sanfilippo, University of Viterbo-La Tuscia, "Long Period, Short Period and *Ceteris Paribus* Hypothesis in Marshall and Keynes: A Note"

Discussant 1: John Lodewijks, University of New South Wales

Discussant 2: Abdallah Zouache, CREUSET University of Saint-Etienne

Discussant 3: Petur Jonsson, Fayetteville State University

Session 4C, 8:00-10:00, July 1, Worrell 1108

Session Title: 18th and 19th Century Economic Policy

Chair: Scot Stradley, University of North Dakota

Paper 1: Guido Erreygers, University of Antwerp, "Inheritance and Equal Shares: Early American Views"

Paper 2: Marianne Johnson, Suffolk University, "George Logan, American Economic Thought, and the Transition From Colonialism to Independence"

Paper 3: Nicola Tynan, Dickinson College & Sandra Peart, Baldwin-Wallace College & David M. Levy, George Mason University, "The Vulgar Political Economy of Charles Kingsley: The Case of Public Utilities"

Discussant 1: Marie Duggan, Keene State College

Discussant 2: Scot Stradley, University of North Dakota

Discussant 3: Joseph J. Persky, University of Illinois at Chicago

Session 4D, 8:00-10:00, July 1, Worrell 1107

Session Title: 20th Century American Economics I

Chair: William Barber, Wesleyan University

Paper 1: Cheng-Ping Cheng, Soochow University, "Human Behavior and Institutional Elements in the Theories of Gary Becker and Douglass North"

Paper 2: Malcolm Rutherford, University of Victoria, "Walton Hamilton, Amherst College, Brookings Graduate School, and Institutional Economics"

Paper 3: Brad Bateman, Grinnell College, "Make a Righteous Number: Social Surveys, the Men and Religion Forward Movement, and Quantification in American Economics"

Discussant 1: Sherry D. Kasper, Maryville College

Discussant 2: Julian Reiss, London School of Economics

Discussant 3: Robert Whaples, Wake Forest University

Session 5A, 10:30-12:30, July 1, Worrell 1117

Session Title: Roundtable: Guide to the History of Economics

Chair: Craufurd Goodwin, Duke University

Participant 1: Craufurd Goodwin, Duke University

Participant 2: Neil De Marchi, Duke University

Participant 3: Stephen J. Meardon, Williams College

Session 5B, 10:30-12:30, July 1, Worrell 1109

Session Title: Young Scholars Session I: Economic Problems in Social Context

Chair: Sandra Peart, Baldwin-Wallace College

Paper 1: Marie Duggan, Keene State College, "The Laws of the Market vs. The Laws of God"

Paper 2: David Duhamel, Universite de Paris I Pantheon-Sorbonne, "Social Contract Theories: A Leap Between Two Generations"

Paper 3: Leandro Montello, Universite de Paris I Pantheon-Sorbonne, "Measuring Welfare: From the Hedonical Science to an Economic Perspective"

Discussant 1: Anthony Waterman, University of Manitoba

Discussant 2: Laurence S. Moss, Babson College

Discussant 3: Phil Mirowski, University of Notre Dame

Session 5C, 10:30-12:30, July 1, Worrell 1108

Session Title: Hayek

Chair: Brad Bateman, Grinnell College

Paper 1: Erik Angner, University of Pittsburgh, "Did Hayek Commit the Naturalistic Fallacy?"

Paper 2: Rob Garnett, Texas Christian University, "Practicing What We Preach: A Market-Minded Approach to Economic Pedagogy"

Paper 3: Abdallah Zouache, CREUSET University of Saint-Etienne, "The Coordination Question in the Hayek-Keynes Controversy"

Discussant 1: Bruce Caldwell, University of North Carolina at Greensboro

Discussant 2: Kevin Hoover, University of California, Davis

Discussant 3: Brad Bateman, Grinnell College

Session 5D, 10:30-12:30, July 1, Worrell 1107

Session Title: Adam Smith

Chair: Hans E. Jensen, University of Tennessee

Paper 1: Melvin L. Cross, Dalhousie University, "Adam Smith on Colonies, Foreign Trade and Conflict"

Paper 2: Kirk Johnson, Michigan State University, "The Use and Role of Property in Smith's System"

Paper 3: Takashi Yagi, Gunma University, "Smith and Sraffa: Reconsideration of Labour Embodied"

Discussant 1: Leon Montes, Cambridge University

Discussant 2: Jerry Evensky, Syracuse University

Discussant 3: Ingrid Rima, Temple University

Session 5E, 10:30-12:30, July 1, Worrell 1101

Session Title: Population and Wealth

Chair: Andrea Maneschi, Vanderbilt University

Paper 1: Yasunori Fukagai, Tokyo Metropolitan University, "Bentham and Malthus on Wealth, Population and Pauperism"

Paper 2: William S. Kern, Western Michigan University, "McCulloch, Scrope, and Hodgskin: Nineteenth Century Versions of Julian Simon"

Discussant 1: Satoko Nakano-Matsushima, Princeton University

Discussant 2: Andrew Farrant, George Mason University

Session 6A, 2:30-4:30, July 1, Worrell 1117

Session Title: Young Scholars Session II: Problems in Recent American Economic Thought

Chair: Sandra Peart, Baldwin-Wallace College

Paper 1: Kyu Sang Lee, University of Notre Dame, "Innovating Experimental Economics"

Paper 2: Kimberly Phillips-Fein, Columbia University, "The 'Clark Problem' Revisited: John Bates Clark and the Political Significance of American Marginalism"

Paper 3: James Smith, Bucknell University, "James Buchanan on Ethics and Economics: Why Doesn't Anyone Care?"

Discussant 1: David Levy, George Mason University

Discussant 2: John Davis, Marquette University

Discussant 3: Warren J. Samuels, Michigan State University

Session 6B, 2:30-4:30, July 1, Worrell 1109

Session Title: Mathematical Economics

Chair: Kevin Hoover, University of California, Davis

Paper 1: Marion Gaspard, Université de Paris IX Dauphine & Université de Paris 1, Panthéon, "The Paradoxical Fate of the 'Ramsey Model'"

Paper 2: James Wible, University of New Hampshire, "The Pragmatic Mathematical Political Economy of Charles Sanders Peirce"

Paper 3: John C. Moorhouse & John V. Baxley, Wake Forest University, "Some Properties of R. D. G. Allen's Treatment of Kalecki's 1935 Model of Business Cycles"

Discussant 1: Kevin Hoover, University of California, Davis

Discussant 2: Wade Hands, University of Puget Sound

Discussant 3: Yoshihiro Yamazaki, Fukuoka University

Session 6C, 2:30-4:30, July 1, Worrell 1108

Session Title: Currents in 20th Century Economics

Chair: Neil B. Niman, University of New Hampshire

Paper 1: Roger E. Backhouse, University of Birmingham, "The Stabilization of Price Theory, 1920-1950"

Paper 2: Zbigniew Hockuba, Warsaw University, "Economics, Politics and Art in the Life and Work of Adam Heydel"

Paper 3: Samuel Ferey, Université de Paris I - Sorbonne, "Crossing the Economics Boundaries: The Case of the Chicago School of Law and Economics"

Discussant 1: Ramon G. Fernandez, Universidade Federal do Paraná

Discussant 2: Neelkant Chamilal, Université d'Aix-Marseille III

Discussant 3: Steven G. Medema, University of Colorado at Denver

Session 6D, 2:30-4:30, July 1, Worrell 1107

Session Title: Historiography

Chair: Luigino Bruni, University of Milan & University of East Anglia

Paper 1: Annie L. Cot, Université de Paris I Pantheon-Sorbonne, "The Origins of a French Tradition in History of Economic Thought: Charles Gide and Charles Rist's *History of Economic Doctrines*"

Paper 2: John Lodewijks, University of New South Wales, "HOPE in the Antipodes"

Paper 3: Robin Neill, University of Prince Edward Island & Carleton University, "From Hope to Acceptance: a New History of Economics"

Discussant 1: Craufurd Goodwin, Duke University

Discussant 2: Chris Nyland, Monash University

Discussant 3: Luigino Bruni, University of Milan & University of East Anglia

Session 6E, 2:30-4:30, July 1, Worrell 1101
Session Title: Religion and Ethics in Economics

Chair: Anthony Waterman, University of Manitoba

Paper 1: Robert E. Prasch, Middlebury College, "Msgr. John A. Ryan on the Ethics and Economics of Minimum Wage Legislation"

Paper 2: Benjamin Balak, University of North Carolina at Chapel Hill, "The Ethics of Description and Prescription"

Paper 3: Don Frey, Wake Forest University, "Francis Wayland's 1830s Textbooks: Before Economics Was Value Free"

Discussant 1: Don Frey, Wake Forest University

Discussant 2: Roberta Muramatsu, Erasmus University at Rotterdam

Discussant 3: Guido Erreygers, University of Antwerp

Session 7A, 8:00-10:00, July 2, Worrell 1117
Session Title: Classical Economists

Chair: James Henderson, Valparaiso University

Paper 1: Jerry Evensky, Syracuse University, "*The Wealth of Nations* in the Context of Smith's Moral Philosophy"

Paper 2: Evert Schorl, University of Groningen, "Towards a New Biography of J.B. Say"

Paper 3: Neil Skaggs, Illinois State University, "Fine Distinctions: Thornton and Ricardo on the Transfer Mechanism"

Discussant 1: Yasunori Fukagai, Tokyo Metropolitan University

Discussant 2: James Ahiakpor, California State University-Hayward

Discussant 3: James Henderson, Valparaiso University

Session 7B, 8:00-10:00, July 2, Worrell 1109
Session Title: Economic Policy

Chair: Joseph J. Persky, University of Illinois at Chicago

Paper 1: Nils Goldschmidt, University of Freiburg, "Leonhard Miksch (1901-1950)"

Paper 2: Robert E. Prasch, Middlebury College, "American Economists, the 'Marginalist Controversy,' and the Academic Debate Over Minimum Wage Legislation: 1945-1950"

Paper 3: Joseph J. Persky, University of Illinois at Chicago, "Welfare Economics and Cost-Benefit Analysis: Snapshots from a Shotgun Wedding"

Paper 4: Michalis Psalidopoulos, Panteion University of Political and Social Sciences, "A Central Banker and Social Justice: K. Varvaressos (1884 -1957)"

Discussant 1: Michalis Psalidopoulos, Panteion University of Political and Social Sciences

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Session 7C, 8:00-10:00, July 2, Worrell 1108
Session Title: 20th Century American Economics II

Chair: Betsy Jane Clary, College of Charleston

Paper 1: Ross Emmett, Augustana University College, "Evolution and Human Beings: Frank H. Knight on Economic Psychology, Cultural Evolution, and the Defence of a Free Enterprise Society"

Paper 2: Cheng-Ping Cheng, Soochow University, "A Comparison of Historicism of John R. Commons and Douglass C. North"

Paper 3: Sherry D. Kasper, Maryville College, "Why Was Henry Simons So Interventionist?"

Discussant 1: Avi Cohen, York University

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Session 7D, 8:00-10:00, July 2, Worrell 1107
Session Title: Heterodoxy: Old and New

Chair: Annie L. Cot, Universite de Paris I Pantheon-Sorbonne

Paper 1: Adil H. Mouhammed, University of Illinois at Springfield, "On Ibn Khaldun's Contribution to Political Economy"

Paper 2: Midori Wakamori, University of Tokyo, "Karl Polanyi's Image of Political Economy"

Discussant 1: Hamid Hosseini, King's College

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Session 8A, 10:30-12:30, July 2, Worrell 1117
Session Title: Philosophy and Methodology III

Chair: Adil H. Mouhammed, University of Illinois at Springfield

Paper 1: Ramon G. Fernandez, Universidade Federal do Paran & Hu scar Fialho Pessali, Universidade Federal do Paran & University of Hertfordshire, "The Rhetoric of Economics and the Non-Mainstream Paradigms"

Paper 2: Leon Montes, Cambridge University, "Smith and Newton: Some Methodological Issues Concerning General Economic Equilibrium Theory"

Paper 3: Satoko Nakano-Matsushima, Princeton University, "Mandeville's Vice as a Cognitive Process: A Neglected Mechanism for the Division of Labor"

Discussant 1: Adil H. Mouhammed, University of Illinois at Springfield

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Discussant 3: Ana Maria Bianchi, Universidade de S o Paulo

Session 8B, 10:30-12:30, July 2, Worrell 1109
Session Title: Visual Representation and Economics

Chair: Robert Leonard, Universite du Quebec a Montreal

Paper 1: Pedro Teixeira, University of Porto & University of Exeter, "Persuasion, Illusion, and Possibility: The Changing Fortunes of Graphical Representations on Personal Income Distribution"

Paper 2: David M. Levy, George Mason University & Sandra J. Peart, Baldwin-Wallace College, "Visual Representations of Economic Man: The British Anti-slave Coalition, Victorian Racial Anthropologists, and *Punch*"

Paper 3: Manuel Santos-Redondo, University Complutense de Madrid, "Economic Activity as Reflected in Painting: The Contrasting Views of Economists and Art Historians"

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Discussant 2: Robert Leonard, Universite du Quebec a Montreal

Discussant 3: Bert Mosselmans, Hogeschool Gent

Session 8C, 10:30-12:30, July 2, Worrell 1108

Session Title: Austrian Economics

Chair: Alex Viskovatoff, University of Pittsburgh

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Paper 2: Hansjörg Klausinger, Vienna University of Economics and Business, "Austrian Economics in Two Minutes: Fritz Machlup as a Journalist"

Paper 3: Christel Vivel, Universite Lumiere Lyon 2, "The Fiction of Pure Entrepreneur: The Essence of the Austrian Middle Ground. The Epistemological and Methodological Legacy of Mises Austrian Theory of Entrepreneur"

Paper 4: Keith Jakee & Heath Spong, RMIT University, "Kirzner's Equilibrium Revisited"

Discussant 1: Keith Jakee, RMIT University

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HISTORY OF ECONOMICS SOCIETY

**28th Annual Meeting
Wake Forest University
Winston-Salem, North Carolina**

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HISTORY OF ECONOMICS SOCIETY

**28th Annual Meeting
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Abstracts

**HES 2001
Wake Forest University
Abstracts**

• **Session 1A, 8:00-10:00, June 30, Monetary Theory**

Joerg Bibow, University of Hamburg & Jerome Levy Economics Institute, "What Has Happened to Monetarism?"

This essay investigates to what extent Milton Friedman's monetarism has had any lasting impact on current thinking about central banking and monetary policy. The analysis begins with a discussion of Friedman's (1956) restatement of the quantity theory and his later Theoretical framework for monetary analysis (1970) as the theoretical core of monetarism. One key issue here concerns the theoretical roots of the monetarist counterrevolution: older quantity-theoretic thought vs. Keynes's monetary thought. The analysis then moves on to discuss Friedman's policy recommendations derived from his monetarist theoretical position, particularly his emphasis on tight constraints on the central bank's scope for discretion and, related to this, his case against central bank independence. Next, the essay discusses the rise of New Classical macroeconomics and the concurrent decline of monetarism: the failure of Lucas's "monetarism mark II", the shift to real business cycle theories, and manifold confusions arising from the time-inconsistency theme due to Kydland and Prescott (1977). Finally, the essay turns to current thinking about central banking and monetary policy, arguing that New Keynesian pragmatism and the fashion for central bank independence probably have to be seen as reflecting the doom of monetarism (pace De Long 2000). The paper concludes with some ("Old Keynesian") reflections on the question whether it might be time for a monetarist resurrection.

Sasan Fayazmanesh, California State University, Fresno, "The Matrix of Exchange and the Real World"

The need to develop a monetary theory that reflects reality has been expressed by many economists, particularly in the latter part of the twentieth century. But perhaps none has expressed this need as clearly as John Hicks who argues that one of the "chief things which monetary theory ought to explain is the evolution of money. If we can reduce the main lines of that evolution to a logical pattern, we shall not only have thrown light upon history, we shall have deepened our understanding of money, even modern money, itself." Along the same line, and in an attempt to understand direct and indirect barter and commodity money and non-commodity money, Hicks then states: "We should thus consider what would be the working of a market on which a number of traders meet to exchange a variety of goods: a market which is open on a particular 'day'... If we want to visualize it, we can think of it as one of those great fairs, which played so important a part in the organization of trade in the Middle Ages."

In this essay I will try to follow Hicks's prescription. That is, in search of a distinction between direct and indirect exchange and money and non-money commodities, I will consider the working of the markets in the Middle Ages and will develop a formal model of it. The model is then contrasted with more modern attempts to distinguish between barter and monetary relations, particularly those involving the so-called "matrix of exchange." Before developing the model, however, the essay presents a survey of the arguments in favor of incorporating realism in monetary theory, which led to the development of the matrix of exchange.

**Richard A. Kleer, University of Regina, "War Finance, Politics and Coinage Reform:
Reappraising Locke's Case Against Devaluing the English Pound"**

Locke has been heavily criticized for advising against a devaluation of the English pound in 1696. Most commentators believe that Treasury Secretary William Lowndes, who favoured devaluation, had the better of the argument at an analytical level. In this paper I argue that Lowndes supported a devaluation only because it was needed to improve the Treasury's financial situation — in dire straits owing to a lengthy war against France. But as it wouldn't have done to state this openly, in public Lowndes argued that without a devaluation English silver coin would be melted for export as bullion. Locke was quite correct to dismiss this argument and to point out that the real result of a devaluation would be to generate large windfall gains for financiers and tax collectors.

• Session 1B, 8:00-10:00, June 30, Simon, Carnegie, and Choice Theory

**Ana Maria Bianchi, Universidade de São Paulo & Roberta Muramatsu, Erasmus University at
Rotterdam, "What Drives Ulysses Back to Ithaca: Preliminary Notes on the
Logic of Choice"**

Broadly, this paper aims at criticizing the orthodox choice theory, which is grounded on a minimal set of rationality axioms. We claim that this theory seems to be more inspired by Bentham's ideas than by the Humean notion of instrumental rationality. In this sense, a theory that accommodates the fact that individuals are driven by motives other than the pursuit of material self-interest is necessary to increase our understanding of why actual decision-makers behave in the way they do. Other reasons for action have to be incorporated into the body of theory, because they exert substantive influence on various kinds of behavior that have important economic consequences.

Our departure point is Gauthier's (1996) account of the logic of commitments and planned action, which helps us to identify some puzzles within conventional theory. We show that the very notion of commitment might require counterpreferential choices, thus tending to conflict with the postulated axioms of rationality.

Alternatively, we discuss the plausibility of the Kantian perspective on choice behavior and its interconnections with the notions of metapreference and metaranking. (Frankfurt 1971; Sen 1977; Hirschman 1982). Thirdly, a model of choice with multiple irreducible criteria is briefly commented to shed light on how higher order preferences and incommensurable objectives can be systematically treated. We close the paper with some concluding remarks.

**Roger Frantz, San Diego State University, "Herbert Simon: Artificial Intelligence as a
Framework for Understanding Intuition"**

Herbert Simon made overlapping substantive contributions to the fields of economics, psychology, cognitive science, artificial intelligence, decision theory, and organization theory. Simon's work was motivated by the belief that neither the human mind, human thinking and decision making, nor human creativity need be mysterious. It was after he helped create "thinking" machines that Simon came to understand human intuition as subconscious pattern recognition. In doing so he showed that intuition need not be associated with magic and mysticism, and that it is complementary with analytical thinking. This paper will show how the overlaps in his work and especially his work on AI affected his view towards intuition.

Hamid Hosseini, King's College, "The Arrival of Behavioral Economics: From Michigan, or the Carnegie School in the 1950s and the early 1960?"

What is behavioral economics? When did it begin? From where did it arrive? Did it arrive, as suggested by the February 11, 2001 issue of the *New York Times*, from Harvard in 1994? Did Michigan University's George Katona begin it after WW2? Or did Herbert Simon and his colleagues, at Carnegie begin it during the 1950s and the 1960s? We try to provide a comprehensive definition of this new approach to economic theorizing which, among other things, wants to make economic theory consistent with the accumulated knowledge of all social sciences and in harmony with real observed behavior, make it empirically verifiable with field, laboratory, survey and other data generating techniques, and augment and amend the existing body of conventional economics to achieve a more realistic picture of the economic process.

We try to argue that various authors have contributed to the development of behavioral economics. However, we recognize Katona and Simon as the two giants of this new approach. While Katona was instrumental in the use of various useful psychological methods in the study of economic behavior, we will demonstrate that Simon's contributions to behavioral economics are by far more significant, being more theoretical and able to provide a new alternative to the conventional model, than those of Katona. Simon, using psychological findings, questioned the viability of various conventional postulates, including the rationality and maximizing assumptions, and introduced bounded rationality and satisficing instead. The intellectual environment of the Carnegie School, which led to many useful debates in those two decades, will also be discussed.

• Session 1C, 8:00-10:00, June 30, Economic Growth and Social Processes

Betsy Jane Clary, College of Charleston, "The Development of Adolph Lowe's Theory of *Spontaneous Conformity* and Its Policy Implications"

This paper traces the evolution of Lowe's theory of *Spontaneous Conformity* from its beginnings soon after Lowe was forced to leave Germany in 1933, through his time in England during the 1940s and his time at the New School afterwards, to his final work, *Has Freedom a Future*, published in 1988 when Lowe had reached the age of one hundred and four years and had returned to Germany. The paper then addresses the proposed program through which the transformation to "conformity" might be reached, including the role of education. The paper finally reviews the implications of such a social transformation for employment, economic activity, and freedom.

Ingrid Rima, Temple University, "The (Forgotten?) Link Between the Entrepreneur, Increasing Returns, and Economic Growth"

The link between the entrepreneur and the quest for increasing returns and economic growth was clearly understood as endogenous by Charles Babbage (although anticipated by Cantillon's *Essai* and Adam Smith's *The Wealth of Nations*). Babbage's understanding of increasing returns passed more or less intact into classical theory, only to be compromised by Alfred Marshall's Victorian commitment to competition and his perception of increasing returns as an exogenous "happening". Allyn Young's resurrection of increasing returns paved the way for Kaldor's growth theory, as well as for his appreciation of the role of the entrepreneur. Schumpeter also understood the endogenous nature of innovation, increasing returns and economic development. Yet, the essential linkage between the entrepreneur, increasing returns, and economic growth has retrogressed in contemporary theory to its pre-Schumpeterian, pre-Kaldorian state because the role of the entrepreneur and hence the endogeneity of growth is not understood.

Masazumi Wakatabe, Waseda University, "Knowledge and Economic Development: Two Divergent Views from Mandeville to Mill"

In the chapter 10 entitled "Political Economy and The Discovery of Society" of his *The Great Transformation* [1944], Karl Polanyi [1886-1964] showed his unique characterization of political economy. In this paper, I explore his image of political economy, which was described by him as a crucial idea of the Poor Law Reform [1834]. According to Polanyi, political economy did not begin with Adam Smith's *Wealth of Nations* [1776]. Focusing to the period when criticisms against the Elizabethan Law [1601] have been potent, Polanyi showed how the discourses of political economy evolved in four stages.

Polanyi found the first criticism against the Elizabethan Law in Defoe's *giving Alms No Charity, and Employing the Poor a Grievance to the Nation* [1704]. Secondly Polanyi focused on J. Townsend's *Dissertation on the Poor Laws* [1786] which presented the crucial view against the Poor Law from the viewpoint of "natural equilibrium" mechanism of population. Thirdly Polanyi evaluated Malthus as a starter of political economy. *Principle of Population* [1798] was the monograph that transcribed Townsend's natural equilibrium theorem in the term of political economy. Fourthly Polanyi treated the role of Martineau as the popularizer of political economist's criticism against the Poor Law.

• Session 1D, 8:00-10:00, June 30, Postwar Theories of Command and Control in Economics

Judy L. Klein, Mary Baldwin College, "The Stochastic Arts in the 1960s"

What were the connections between factory automation, a cold war arms race, and welfare economics in the 1960s? This paper looks at simultaneous developments in digital computers, the conceptualization of probability spaces, and time domain analysis in control engineering. The half way mark in the narrative is Kalman's specification of a data filter designed to improve the guidance systems in rockets. The Kalman filter incorporated an empirical optimization algorithm that was only viable if one had a digital computer handy. It was, however, connected to the optimization inherent in the design of machines with a purpose and with some economic work on efficient allocation of resources. Statisticians now use the Kalman filter for estimation and prediction of structural stochastic models. The algorithm they use is similar to a recursive solution to least squares problems suggested in the nineteenth century by the Danish statistician T. N Thiele. So what difference did eight decades, digital computers, Hilbert spaces, structural models, and ample state funding to mathematicians, engineers, and economists make?

Phillip Mirowski, University of Notre Dame, "From Econometrics to Cognition as Intuitive Statistics"

Gerd Gigerenzer (2000) has argued for some time now that experience with statistical tools in the immediate postwar period produced a cognitive model of man as a little statistician. What is missing from his account is how this happened. This chapter from my forthcoming *Machine Dreams* traces this transition as it happened at the Cowles Commission, particularly in the work of Jacob Marschak, Kenneth Arrow, Tjalling Koopmans and Leonid Hurwicz.

- **Session 2A, 10:30-12:30, June 30, Remembrance and Appreciation Session for George J. Stigler**

The primary purpose of this session is not to eulogize Professor George Stigler as important as that is. The goal we have set before us is to probe and understand the economist and his works. The participants will concentrate on the contexts in which Stigler's work proceeded and the part that character and disciplinary commitment played in the unfolding of his most influential scientific work. This is another in the series of HES Remembrance and Appreciation sessions.

- **Session 2B, 10:30-12:30, June 30, Aggregates and Capital Theory**

Avi Cohen, York University & G.C. Harcourt, Cambridge University, "Some Cambridge Controversies in the Theory of Capital Revisited"

In the style of Harcourt's original 1969 JEL article, we revisit the Cambridge capital theory controversies, not only from the perspective of 30 years hence, but also in the historical context of earlier 20th century capital controversies. In assessing the lasting significance (or insignificance) of the controversies, we argue that capital controversy originates in the tension between the physical conception of capital as a heterogeneous collection of specific capital equipment used in production, and the value conception of capital as a homogeneous fund of financial value that flows among alternative uses to establish a uniform rate of return. Two central problems continuously re-emerge from this tension: 1) integrating production into the scarcity theory of value, and 2) integrating capital and time into equilibrium models. Two further themes emerge from attempts to deal with these problems: 3) the panacea of one-commodity models in eliminating the tension between the physical and value conceptions of capital, and 4) the role of ideology and vision in fueling controversy, especially when one-commodity results are not robust.

Bruce Elmslie, University of New Hampshire & Norman Sedgley, Loyola College, "The Reswitching Debate: Whence It Came and Where It Went"

The paper addresses one of the most interesting and fundamental debates in modern economic theory. The so-called Cambridge capital controversies raged for more than a decade from the early 1960s through the early 1970s. At stake was the logical consistency of all economic analysis. The debate centered on the ability of mainstream theory to demonstrate a link between relative input prices and the techniques that profit maximizing capitalists would employ in production. Without this linkage, mainstream theory was left without any mechanism for demonstrating a relationship between input markets and output markets. Much of what economists think they know about how markets work can be traced back to this linkage. The stakes were high indeed. The paper will look at how the participants in the debate made their arguments, how the profession responded, and what the outcomes were. Essentially, the defenders of mainstream analysis lost every battle and, in the end won the war. Other commentators have analyzed this debate from traditional philosophy of science perspectives (e.g. Lakatos, Kuhn). We will certainly review these approaches. However, we also take a more pragmatic approach and look at new evidence regarding the empirical and theoretical significance of the critique. Specifically, we demonstrate that in a growth framework, reswitching will not occur even given price Wicksell effects as long as labor markets clear. We then formally link the model to predictions regarding conditional convergence. We find that

the dominant empirical work on convergence supports the economy where reswitching is ruled out. In the end, it appears that mainstream economics was right in ignoring the critique.

Nicole Sackley, Princeton University, "Thinking in Aggregates: Nations as Economies and Economists of Nations"

American economists in the early twentieth century took as their professional province the study of international trade, industrial expansion, business cycles, labor markets, and capital accumulation, but they did not imagine themselves as scholars of an "American economy." By the late 1940s, however, a revolution had taken place in the way economists understood national economic conditions and their professional relationship to them. Between the early 1920s and late 1940s, economists and statisticians, applying the tools and concepts of national income statistics and macroeconomic theory, came to think in aggregates. They developed a new conception of the nation as an economy, and in the process, began to imagine new analytical and prescriptive roles for themselves as scientists of national economy. It was this reconceptualization of economics as a discipline that laid the groundwork for the idea that U.S. economists could develop the economies of nations. For American economists, developing an aggregate vision of the nation was the first step to imagining the economic development of the world. This paper examines an important theoretical and disciplinary transformation in the 1930s and 1940s in which economists learned to "think in aggregates." I argue that the dual revolutions in national incomes statistics, Keynesian theory and macroeconomics as a field, and the participation of American economists in both world wars revolutionized the way U.S. economists theoretically conceptualized nations and practically conceptualized their professional responsibilities toward nations.

• Session 2C, 10:30-12:30, June 30, Business Cycles and Unemployment

Elisabeth Allgoewer, University of St. Gallen, "Emil Lederer: Crises and Business Cycles"

Austrian economics, classical political economy and influences from the German Historical school form Lederer's background. His contributions to business cycle theory reflect this diverse heritage. This paper traces the development of Lederer's business cycle explanation from his 1925 contribution to *Grundriss der Sozialökonomie* on "Konjunktur und Krisen" and his 1927 article on the effects of cartels and trusts on fluctuations to his *Technical progress and unemployment* (1931 / 1938). Whereas the disproportional development of different types of income in the course of the cycle are central to Lederer's argument in 1925 his focus shifts to issues of the development of investment, production capacity, and employment opportunities in his later work. Therefore Haberler's 1937 classification of Lederer as an underconsumption theorist is challenged.

Mauro Boianovsky, Universidade de Brasília & Hans-Michael Trautwein, University of Oldenburg, "Wicksell, Cassel and the Idea of Involuntary Unemployment"

In 1901 and 1902 the Swedish economists Knut Wicksell (in a public lecture on unemployment) and Gustav Cassel (in a book on "Social Policy") put forward unemployment taxonomies in which they distinguished between "voluntary", "forced"/"involuntary" and "normal" unemployment. We show that the idea (if not the phrase) of involuntary unemployment in Wicksell's writings on business cycles and crises can be associated with the notion that a full employment equilibrium solution may not exist if (i) there is no positive value of the market rate of interest which equilibrates saving and investment and/or (ii) individuals are unable to meet their obligations and go bankrupt. Bankruptcy is also conspicuous in Cassel's approach, but not point (i). Wicksell

(as well as H. Neisser and others in the early 1930s) criticized the omission of the possibility of a zero wage solution in Cassel's simultaneous equations model of general equilibrium. We argue, however, that Cassel (like J. M. Keynes and J. von Neumann after him) did not apply the "rule of free goods" to labour. He claimed that the supply curve for labour should be of a special form (infinitely elastic at the prevailing money wage) in order to make sense of a state of "unemployment equilibrium".

Goulven Rubin, Université de Paris X, Nanterre, "Don Patinkin and the Pigou Effect: a Rereading"

The theory of unemployment of Don Patinkin, as stated in the chapter 13 of *Money, Interest and Prices* (1956), is plagued by a contradiction between its actual and its supposed analytical content. On the one hand, Patinkin pretends to obtain involuntary unemployment in a flexible price system, on the other hand, his result is derived from the hypothesis that prices and wages are slow to adjust, which is tantamount to real wage rigidity. The paper aims to demonstrate that this contradiction, neglected by most commentators, is a fundamental one. As a matter of fact it encapsulates the deadlock faced by a research program that several authors of the "neoclassical synthesis", the most tenacious of whom was Patinkin, borrowed from Keynes: the quest for a result of involuntary unemployment in the sense of a system flaw. This new reading of the author is based on an analysis of the genesis of chapter 13 of *Money, Interest and Prices* this since his doctoral thesis (1947) and reveals the relationship between Patinkin's theory of disequilibrium and his initial plan. Patinkin's thesis, an unpublished document never exploited before, shed a new light upon his conception of involuntary unemployment. It makes obvious the fact that he planned to elaborate a theory demonstrating that this phenomenon is inherent to the functioning of a perfectly competitive economy thus a system flaw. The analysis of the theoretical pitfalls met by this plan, supplemented by the study of his correspondence (found in the Special Collection Library at Duke University) and of his first papers, enlightens the logic which led him to the deadlock of chapter 13.

• Session 2D, 10:30-12:30, June 30, Philosophy and Methodology I

Luigino Bruni, University of Milan & University of East Anglia, "Economics and Happiness: An Historical-Methodological Overview"

Political economy came to life in the Mediterranean area as science of public happiness. Along its history it has amputated from his domain some interpersonal dimensions that were essential to that idea of public happiness, re-defying itself on the basis on categories more and more individualistic: wealth (Smith and the classical English economists), welfare (Pigou), utility (Bentham and English hedonist economists), preferences (Pareto), choices (Revealed Preference Theory).

The paper looks trough this historical process, pointing out in the second part the newer interest towards happiness that is occurring in the last years in economics (Lane, Frank, Oswald, Ng, Scitosky, ...), emphasizing the methodological differences between the old and the new happiness in economics.

Julian Reiss, London School of Economics, "Gustav Schmoller's Baconian Philosophy of Economics"

Most of Schmoller's commentators focus either on the ethical and historical dimensions in his writing or his active involvement in the policy making of his day, but there is comparatively little work on his purely methodological ideas. In this paper I want to illuminate some methodological aspects by way of comparing them with Bacon's philosophy of science.

There are striking similarities between the two respective methodologies in at least three respects: the criticism of the historical background they both work in (criticising both purely rationalist as well as purely empiricist philosophies), their staunch but not untheoretical empiricism (that comes in a three-stage methodology of observation, classification and explanation), and the importance they ascribe to intervention in order to gain knowledge.

The paper then goes on to draw implications from these structural similarities. I claim that relatively recent interpretations of Bacon's philosophy of science suggest ways in which one might view Schmoller's methodology as indicating that there is an interesting middle-ground between the apriorism of much of mainstream economics and the theory-less fact gathering that has sometimes been attributed to the Historical School. The role of hypotheses and that of science as maker's knowledge will prove crucial in this novel interpretation.

Alex Viskovatoff, University of Pittsburgh, "Justifying Economics"

Many different approaches have been developed by methodologists and philosophers for justifying mainstream economic theory, but for practicing economists as well as society at large, what makes mainstream economics a science is both straightforward and obvious: economics follows the method of the physical sciences. For this justification to amount to more than a rhetorical device, it is necessary to justify the method of the physical sciences itself. Historically, this method was justified in two ways: before Newton published his physical theory, the method was justified philosophically, taking into account essential properties of physical bodies; afterwards, it was justified by the clear empirical success of Newtonian science itself.

Economic theory has exhibited no empirical confirmation comparable to the confirmation exhibited by Newtonian science. (This conclusion should not be controversial: it follows from the simple fact that whether economics is empirically successful is controversial, whereas whether physical science is empirically successful is not.) Given how long physical science methodology has been followed by economics, this means that continuing to follow this methodology as presently conceived can have no rational basis.

Consequently, it is necessary to go back to the stage of philosophical method construction that made possible the success of the physical sciences, and see how the method of the latter can be "duly extended and generalized" (J. S. Mill) to take into account specific properties of human agents and of society. If one does so, one finds that the social sciences have available to them a means of acquiring knowledge which is only of limited usefulness to the natural sciences—transcendental arguments. At the level of general theory, transcendental arguments can solve a long-standing problem in economics: the inadequacy of empirical tests for telling one which theory among several rival candidates should be chosen.

• Session 2E, 10:30-12:30, June 30, Literature, Philosophy, and Economics

James P. Henderson, Valparaiso University, "'Wicked Cant:' Charles Dickens Versus the Malthusian Analysis of Poverty"

After a brief review of both the scientific and the theological arguments in Malthus's population doctrine, his view that poverty is the inevitable consequence of nature's law is examined. This became the basis for political economists' pessimistic views on poverty and their harsh reform proposals for the English Poor Law. The focus of the paper is an analysis of two of Charles Dickens's Christmas tales. Both "A Christmas Carol" and "The Chimes" are attacks on the Malthusian treatment of poverty. These Christmas stories are representative of the romanticist critique of political economy.

Michael Collins, National University of Singapore, "John von Neumann, Literature and Game Theory"

One of the architects of the world we live in is John von Neumann, who made seminal contributions to computer science, quantum mechanical theory, atomic weapons development, the theory of automata, continuous geometry, and, most crucially for this paper, game theory. As a literary critic, I am struck by the fact that, to a significant extent, von Neumann's worldview was influenced by, or illuminatingly reflected in, certain classic works of literature. The current paper explores the complex links between game theory and two texts—Thucydides' *History of the Peloponnesian War* and Johan Wolfgang von Goethe's *Faust*. Thucydides' Melian dialogue, a favorite of von Neumann's, is a perfect example of the sort of rationality—and hyperconsciousness of risk—that undergirds von Neumann's game theory. Goethe's *Faust*, the single greatest influence on von Neumann's worldview, according to his brother, in retrospect gives us a glimpse of the way von Neumann saw the world and the role to be played in it by a man of genius. The basic point that emerges from the examination of these texts in their relation to von Neumann and game theory is that 1) philosophically, if not formally, von Neumann's game theory emphasizes the role of risk and selfishness in human affairs, and underestimates the importance of altruism in those affairs; 2) given von Neumann's life experience, this is understandable; 3) nevertheless, game theory as he and Oskar Morgenstern founded it, and as it has since been developed by thinkers like John Harsanyi, can be an indispensable mirror held up to human interaction, and the respective roles of risk and altruism in human interaction.

Mike Lawlor, Wake Forest University, "William James and Psychological Pragmatism: Belief, Experience and Habit"

This essay will attempt to link up William James's contribution to Pragmatic Philosophy with his earlier work on psychology. Partly it is designed to show what William James added to the Pragmatist tradition (and so brings us up to Dewey, historically). But after a brief analysis of his book *Pragmatism* (1907), we wish to spend most of the essay on James' views on behavior expressed in his magnum opus, *Psychology* (1890). The reason for this is that it is integral to underpinning and elaborating his pragmatic view of rational conduct (in all areas of human endeavor, including science). Also, its historical interest is that James' view is coincident with, and most likely influenced, much of the progressive thought in America at the turn of the century on the link between psychology and social science. Furthermore, this view of the mind as an active participant in interacting with the environment is so at odds with the traditional neoclassical "economic man" as a passive "utility function," that it provides a very interesting study in contrast. In pursuing this contrast I concentrate on the role of "habit" as James described it in his *Principles of Psychology* (1890). I will end by presenting a brief example of this contrast in the case of the economics of crime.

• Session 3A, 2:30-4:30, June 30, The Status of Women in Classical Economic Thought

Chris Nyland, Monash University, "Adam Smith, Stage Theory and the Status of Women"

Economists who seek to analyse the social position of women often assert that while men's greater physical strength may be an important factor influencing the relative status of the sexes in less-developed societies, it is of no great significance in a modern, industrialised economy. This assertion is founded primarily on the assumption that the developed nations have progressed to a

stage where physical strength is no longer a significant factor influencing the individual's productive capacity or ability to exert authority over others. The notion that technical progress tends to modify the status of women, by transforming the social significance of physiological differences between the sexes, has played an important role in the economic analysis of women's social position since the seventeenth century. This paper contends that Adam Smith made a major, though neglected, contribution to the development of this important idea.

It is argued in the paper that Smith developed an explanation of women's status that centred on the means by which societies attain the material requirements of life, that is, on their mode of subsistence. His argument drew upon his belief that societies tend naturally to progress through distinct economic stages as they develop. Each of these stages is characterised by a different mode of subsistence, with each stage having unique primary sources of authority and status. This process of progression was held to have fundamental significance for women. Smith believed that in the earliest stages of economic development, women were disadvantaged by their biology in the competitive struggle for authority and influence. However, as societies progress to the commercial stage of development, the innate differences between the sexes tend to become of decreasing social significance. By advancing this argument, Smith made a fundamental contribution to the development of the economic analysis of the social position of women. His contribution was fundamental for two reasons. First, because it offered an alternative to the views of the time which was to prove highly constructive and influential. Second, it provided a substantive theoretical challenge to the belief that male social domination was natural and that women would always remain the subservient sex.

Smith was not the first theorist to suggest that the social standing of women was related to the mode of subsistence and to stages of economic development. Turgot (1773, 80-82) and Rousseau (1752, 350) had argued, in 1751 and 1755 respectively, that the status of women was linked directly to the means by which societies produced the material requirements of life. Further, they argued that humanity's means of obtaining these needs tended to progress through distinct stages over time. However, the contributions made by these theorists to the consideration of women's social condition were relatively brief and undeveloped. Moreover, they were rationalistic rather than empirical in character. Smith, on the other hand, undertook a relatively detailed examination of this notion and utilised it systematically as a device to analyse the historical record. By so doing he transformed the idea that women's social position is primarily a function of the mode of subsistence from an abstract hypothesis into an argument founded on historical fact.

Robert Dimand, Brock University, "Women in Nassau Senior's Economic Thought"

Nassau William Senior, the first Drummond Professor of Political Economy at Oxford and an influential member of several Royal Commissions, was a leading applied classical economist. This paper examines his views on the economic and social role of women, as expressed in his Oxford lectures, his *Letters on the Factory Act*, his journals of his travels, and the Poor Law Report of 1834.

• Session 3B, 2:30-4:30, June 30, Philosophy and Methodology II

Francesco Guala, University of Exeter & Andrea Salanti, Università di Bergamo, "On the Robustness of Economic Models"

Robustness is supposedly a desirable attribute, and scientific progress is often related to (among other things) the discovery of increasingly robust theoretical and/or empirical relations. Like other normative terms, however, robustness works as a comprehensive 'umbrella' under which various different concepts are subsumed. Since different kinds of progress are associated with different kinds of robustness, it is important to distinguish between them properly. Alan Gibbard and Hal Varian ("Economic models", *Journal of*

Philosophy, 1978, 75(11): 664-677) is one of the few philosophical accounts of economic modelling that makes explicit use of the idea of robustness. The authors characterise models (or at least one important class of them) as "caricatures" and ask when and why such caricatures may be "helpful in understanding a situation". This and other remarks in the same essay suggest that the kind of robustness Gibbard and Varian have in mind refer to changes in the model's 'idealisations', in the terminology that we shall use throughout this paper. Surely, this captures an important virtue of models, but it is by no means the only sense of robustness that can be detected in the economic literature or hinted at during presentations at seminars and workshops.

In this paper we investigate the different ways in which the results of theoretical models can be 'robust'. We identify three main meanings of the term 'robustness': (1) robustness to changes in the model's idealisations; (2) robustness to changes in the 'background' conditions; (3) robustness to changes in the implied causal mechanism. Each of these meanings is discussed and illustrated by means of examples from economic practice.

Drawing conceptual distinctions may be an enjoyable philosophical game in itself, but of little interest unless the distinctions bear some methodological weight. In the rest of the paper we try to put the above taxonomy at work in order to explore its implications.

**Gisèle Chevalier, Université de Moncton & Richard Hudson, Mount Allison University,
"Searlean Collective Intentionality in Finance"**

Economics is often described as relying on an "intentional idiom" for its explanatory strategies because it depends on a rational choice model. Economic agents have beliefs and desires (or, as Rosenberg says, "expectations" and "preferences"), and they act rationally - i.e., they act in such a way as to maximize the realization of their desires, given their beliefs. Chevalier and Hudson (*Journal of Economic Methodology*, forthcoming), however, fail to find extensive use of terms indicating propositional attitudes (believe-desire-expect-prefer) in scientific articles in the *Journal of Finance*, vol. 54 (1999). Using the same *Journal of Finance* database, this article reports on the presence of what Searle (1995) calls "institutional facts". These facts are what they are because a collectivity believes them to be that thing. Searle talks of "collective intentionality." We limit our analysis to a very small subset of institutional facts present: mainly to "stocks" and "bonds" and related terms. We find mention of these terms in all *Journal of Finance* articles. It would seem that scientific language in economics can avoid explicit use of terms usually thought indicative of intentionality, but, if Searle is right about his (controversial) view of collective intentionality, this language does not avoid mention of terms depending on collective intentionality.

**• Session 3C, 2:30-4:30, June 30, Transforming the Human? Chemical and
Mathematical Economics in the 19th Century**

**David M. Levy, George Mason University & Sandra Peart, Baldwin-Wallace College, "The
Chemical School of Political Economy Against the Mathematical: Remaking
the 'Human Herd'"**

Consider the statement of John Ruskin in his tract *Unto This Last* in which he contrast his view of political economy with that explained by J. S. Mill. In the mathematical approach the nature of man is fixed. Social forces simply move the human from one point to another. But the chemical approach emphasizes the transformative nature of such social forces:

But the disturbing elements in the social problem are not of the same nature of the constant one: they alter the essence of the creature under examination the moment they are added: they operate, not mathematically, but chemically,

introducing conditions which render all our previous knowledge unavailable.
Ruskin (1905, p. 26).

We propose to read "chemical" as "alchemical." An alchemical reading of Ruskin's logic of social transformation gives coherence to the opponents of political economy throughout the long 19th century. This we shall argue unites anti-political economy thinking which begins with Godwin's egalitarianism and ends with Carlyle and Ruskin's hierarchical racism. Even in Godwin's thinking mixed there is a tension between an egalitarianism and an elitism. In *Political Justice* Godwin held that one improved the condition of the majority via an enlightened elite a trickle-down enlightenment. The transformative elements of Godwin's thought are not confined to his alchemical novel *St. Leon* but extend to his infinitary conjecture in *Political Justice* that by social reform, human life could be extended without limit.

It is important that the classical economic tradition not only faced with arguments pressing the possibility of the transformative power of art and industry in the hands of an elite but also (as we argued in our paper in Vancouver) from the eugenic thinkers who argued for the transformative powers of the elite mathematical statisticians to remake the "human herd." This common theme of transformation suggests that one should observe migration from Ruskinite positions to eugenics positions.

We propose to consider the themes that Ruskin developed from Carlyle and juxtapose them to the themes of the eugenics thinkers. In particular we propose to consider the views of A. C. Pigou who seems to have been driven reluctantly to eugenics conclusions by the force of the argument. Was Ruskin in the background argument in his thoughts for the necessity of transformation?

Laura Valladão de Mattos, Pontifícia Universidade Católica de São Paulo, "Mill's Transformational Economics"

This paper presents a fairly comprehensive account of John Stuart Mill's conception of human nature. Special emphasis is given to his views on the possibility of transforming mankind. Some features of his view on psychology and on the role played by institutions in molding the individual character are discussed, as well as some aspects of his ideal of man. These elements are important to the understanding of the meaning of Mill's 'economic man', the abstraction upon which he defines the object of political economy.

Andrew Farrant, George Mason University, "J. S. Mill & the Transformation of Society: Lessons from the Debate over James Mill's Essay on Government"

Agency problems and incentive compatibility are a major theme of J.S. Mill's writings. Mill's understanding of such potential problems was heavily influenced by the debate over the merits of James Mill's theory of government. In particular, I suggest that the debate influences Mill to argue that agenttype and the rules of the game are complements rather than substitutes.

•Session 3D, 2:30-4:30, June 30, Keynes I

James C.W. Ahiaokpor, California State University-Hayward, "Say's Law: Keynes's Success with its Misrepresentation"

The law of markets, otherwise commonly known as Say's Law, is a statement of the fundamental interrelationship between the markets for goods and services in an economy. It explains how the state of production in one industry creates demand for the goods and services of other industries, and how such interaction affects prices and interest rates among industries.

The law's explanation is thus consistent whether production is at a high or low rate, or whether the state of employment or unemployment is high or low. However, the above characteristics of the law are not readily associated with it in modern macroeconomics, due mainly to J.M. Keynes's successful misrepresentation of it in the *General Theory* (1936). Rather, Say's Law conjures in many modern minds the assumptions of instantaneous adjustment of market prices, perfect competition in markets, the existence always of full employment of labor, no possibility of cash hoarding by households, and no positive relation between savings, the supply of 'capital', interest rates, and the financing of investment spending. It would help to make the ordinary meaning of the law of markets easily understandable by readers of its classical proponents such as J. B. Say, David Ricardo, and J.S. Mill, if Keynes's erroneous attributions of the above assumptions and changed language of macroeconomics are clearly known. This paper attempts such a clarification.

Jae Ick Bin, Université de Paris 10 - Nanterre, "J. M. Keynes on Conception of Monetary Economy"

The objective of my work is to ask and answer the question how Keynes conceived the monetary economy. For this purpose we will limit our analysis to Keynes's *General Theory of Employment Interest and Money*.

In order to illustrate our approach, we will begin by referring to J. A. Schumpeter. Indeed, we think that it will be very useful for our purpose to ask the same question in regard to Schumpeterian monetary economy. This process could be justified for the moment by the simple fact that it is Schumpeter who defined monetary analysis in opposition to real analysis. The reference to Schumpeter will help us understand why Keynes began his *General Theory* by the opposition to Say's Law. In fact, according to us, Keynesian conception of monetary economy may be formed through his formulating an "anti-Say's law". Furthermore, our lecture of *The General Theory* will imply an interpretation of Keynesian theories, in particular, of investment and of the rate of interest.

Once read in this way, *The General Theory* can provide us a new understanding of the involuntary unemployment in a state of equilibrium.

Petur Jonsson, Fayetteville State University, "Hobson, Keynes and the General Theory"

Hobson was by far the most prolific and well known advocate of underconsumption theories in the early part of the last century (before Keynes). Even so, many historians of economics still see him as a bit of a crackpot. This paper argues that Hobson had a greater and more direct influence on Keynes's *General Theory* than Keynes ever admitted. Specifically, the paper argues that Keynes's "praise" of Hobson in the *General Theory* is decidedly left-handed and that it is preemptively designed to denigrate Hobson's importance. The paper demonstrates that in his writings Hobson gave us most of the criticisms and extensions of "classical theory" that Keynes later offered as new and revolutionary. The problem is that Keynes was very careful not to use the same terminology as Hobson. The superficial differences this has caused have obscured the underlying similarities of their arguments.

In short, this paper traces the various connections between Keynes and Hobson through their correspondence, through Hobson's writings for the *Nation*, etc. Next, the paper argues that Hobson's theories are made up of the very same building blocks as the *General Theory*. Finally, the paper points out that in the years before the publication of the *General Theory*, Hobson and Keynes argued about the key issues of Hobson's underconsumption ideas with Keynes then taking "neo-classical" positions that he later reversed.

- **Session 3E, 2:30-4:30, June 30, Perspectives on Finance**

Perry Mehrling, Barnard College, "Fisher to Black: A Century of American Finance"

In January 2001, the American Economics Association sponsored its first ever session on finance, almost a century after the seminal writings of Irving Fisher that, arguably, represent the origin of American finance. This paper proposes an interpretation and explanation of the intervening century when finance grew up largely outside and parallel to economics, first in opposition to American institutionalism and then, in the postwar period, in opposition to the monetary Walrasianism that united both monetarists and Keynesians. Emphasis will be on Irving Fisher and Fischer Black, two figures who bracket the century, a comparison that will demonstrate the essential continuity of American finance throughout.

James Rhodes, National Graduate Institute for Policy Studies, "Interest with Appreciation: The Original Fisher Equation"

In 1896, Irving Fisher published *Appreciation and Interest* and put into print the original form of the famous equation that links nominal and real rates of interest. Fisher, as it turns out, never penned the "Fisher equation" of the conventional literature. The conventional Fisher equation (CFE) is expressed in terms of expected inflation, whereas the original Fisher equation (OFE) uses the *expected* appreciation of money. Since Fisher's theory is written in terms of the value of money ($1/P$), not the value of goods (P), criticisms of the conventional version based

on Jensen's inequality do not apply. This paper derives the OFE and explicates its importance. It also notes that, when the body of Fisher's work on interest rates is considered, it is apparent that Fisher anticipated much of the subsequent literature on the problem of interest rates under a variable monetary standard. Several additions can be made to the historian's list of Fisher's achievements.

- **Session 4A, 8:00-10:00, July 1, 18th Century Economics**

**Andrea Maneschi, Vanderbilt University, The Tercentenary of Henry Martyn's
*Considerations Upon the East-India Trade***

Henry Martyn's *Considerations on the East India Trade*, published in 1701, stands out as a major contribution to political economy and to the case for free trade. Martyn gave one of the clearest formulations of what Jacob Viner termed the "eighteenth-century rule" for the gains from trade, that "it pays to import commodities from abroad whenever they can be obtained in exchange for exports at a smaller real cost than their production at home would entail" (Viner, 1937, p. 440). The illustrations of that rule provided by Martyn went far beyond the case for free trade advanced by Adam Smith in the *Wealth of Nations*. His tract contains other remarkable insights into the consequences of trade for resource allocation, the economic welfare of workers and landowners, productivity, innovations, the workings of a market economy, the role of money. It anticipated important features of classical political economy as formulated by Smith 75 years later, such as the nature and advantages of the division of labor and its dependence on the extent of the market. On the tercentenary of the *Considerations*, it is fitting to reconsider Henry Martyn's pioneering contribution.

Carl Wennerlind, Barnard College, "Was David Hume Really a Quantity Theorist?"

David Hume was certainly comfortable thinking within the parameters of the quantity theory. He used it in some of his thought experiments and in order to point out the danger of public credit money. However, a close reading of the Political Discourses reveals that Hume did not use a pure quantity theory relationship in the section where he elaborates on the increase in the money stock. Instead he is positing a dynamic that begins with an increase in output, which leads to a decrease in the price level and the consequent inflow of money and the start of the famous multiplier process. This process cannot be initiated by an increase in public credit money which means that there is no way for the government to stimulate economic growth through monetary policy. This reevaluation changes the way we think about Hume's understanding of the role of the government and what the important variables are for policy making.

Paola Tubaro, Université de Paris 10 - Nanterre, "A Case Study in Early Mathematical Economics: Pietro Verri and Paolo Frisi, 1772"

In 1772, the Italian economist Pietro Verri asks the mathematician Paolo Frisi to add some mathematical notes to his book *Reflections on Political Economy*.

Verri's starting point is an intuition of the "law of supply and demand". He argues that the supply of a good depends on the number of sellers, whereas demand depends on the number of buyers. Hence, the price of a good depends on the numbers of buyers and sellers. No rigorous proof is given; Verri's ideas are intuitive, mostly unexplained.

Frisi transforms Verri's arguments into a functional relation: (the price of a good equals the ratio of buyers to sellers). In order to demonstrate it, he uses advanced mathematics, including calculus. He also employs calculus to determine maxima and minima of this function. He both utilises some of the most advanced mathematical tools at that time and anticipates modern optimisation techniques.

However, the ratio is *not* a price. Moreover, it can be shown that the use of this formula does not lead to economically significant results. It will be argued that Frisi's utilisation of sophisticated mathematical tools does not correspond to a deep understanding of economic notions.

Two sources of difficulty are to be emphasized: the economist's inability to exactly state the foundations of his theory and the mathematician's incompetence in understanding major economic topics.

•Session 4B, 8:00-10:00, July 1, Keynes II

Gilles Dostaler, Université du Québec à Montréal, "Keynes and Politics: Action and Vision"

Politics, in the sense of the art and science of government, constitutes the central axis of Keynes's action and thought. The task is to reform the City so as to avert the twin traps of reaction and revolution which threaten to destroy a precarious civilisation. Keynes admitted openly that his theoretical endeavour in economics should serve to rationalize political choices based on other considerations. His political thought cannot be fully understood without looking at England's political evolution in the first decades of the twentieth century. This is where we will begin our paper, presenting Keynes's concrete involvement in this evolution. In particular, we will examine the complex relations between the Liberal party, of which Keynes was a lifelong member, and the Labour party, to which, with his friends in the Bloomsbury Group, he was always very close. We will then look into his political thought, taking into account the influence of both Edmund Burke and the intellectual promoters of New Liberalism. These influences, as well as Keynes's upbringing, account for the singular blend of progressivism and

elitism that characterizes his thought and action and underpins what may be called the Keynesian technocracy.

Mario Gómez Olivares, Universidade Técnica de Lisboa, "How and When Did Keynes Write the *General Theory*?"

The interest of Keynes with the cycle of the business, dated historically, goes back to 1913, the year that, concerning the reading of the "Fellowship dissertation" of D.H. Robertson, Keynes composed the essay "How far are the bankers responsible for the alternations of crisis and depressions?" The problem is linked to the regulation of the interest rate that he later included in the chapter XIX of the *Treatise on Money*.

From that essay it is clearly visible that his main concern was with the monetary and financial aspects of the problem of the economic fluctuations, linked with the other aspect of the same problem: the determination of the output and the employment. His approach shows, at the same time, the dissatisfaction with the dominant opinion represented by the "the real cash balances approach" of I. Fisher.

It is of historical interest to trace the evolution of the thought of J.M. Keynes. When discussing the problem of the fluctuations, he gave increasing importance to the determination of the level of the output. I will discuss first, important aspects of the contribution in the *Treatise on the Money*, considering the themes that characterize it; second, the measure that the determination of the level of the output links with the determination of the level of the employment. Also, involuntary unemployment and the rigidity of the clearing mechanisms that are related with the theoretical developments that Keynes denominated the monetary theory of the production. And last, the way to the publication of the *General Theory*, the genesis, in the continuity, of a monetary theory of determination of the underemployment equilibrium.

Eleonora Sanfilippo, University of Viterbo-La Tuscia, "Long Period, Short Period and *Ceteris Paribus* Hypothesis in Marshall and Keynes: A Note"

This note aims to discuss the extent to which the notions of short and long period, as they have been conceptualized by Marshall, are applicable to the Keynes's theoretical scheme. The starting point of the argument is the presence in Marshall's *Principles* of a twofold use of the *ceteris paribus* clause - one of chronological type, the other of logical type.

It is then emphasized that the chronological use of the clause is limited to the representation of static or *steady state* economies, whereas the logical one has a general validity as a methodological tool for all type of analyses and for all theories. It is also argued that, when defining the different types of *equilibria* (temporary, short and long period), Marshall seems to oscillate ambiguously between the two meanings, unlike Keynes seems to prefer the logical use of the clause, as a consequence of his specific conception of uncertainty.

• Session 4C, 8:00-10:00, July 1, 18th and 19th Century Economic Policy

Guido Erreygers, University of Antwerp, "Inheritance and Equal Shares: Early American Views"

The idea that each young adult is entitled to an equal capital endowment funded mainly from inheritance taxation constitutes the core of the recent 'stakeholding' proposal advocated by Ackerman & Alstott. In our paper, we trace some intellectual antecedents of this liberal-egalitarian position. The idea of equal initial endowments is neither novel nor original. Specifically, we examine three cases drawn from American writers in the first half of the nineteenth century. The first and least developed case was presented by Cornelius Blatchly in 1817; the second, and more comprehensive case was presented by Thomas Skidmore in 1829;

and the third intriguing case was presented by Orestes Brownson in 1840. Each of these writers argued that equal opportunities required equal starts. In their view, the existing inheritance regimes perpetuated and accentuated a strongly unequal division of individual wealth, which therefore violated equal starts and jeopardised equal opportunities. Accordingly, they called for a drastic reform or even abolition of private inheritance, suggesting alternative mechanisms to disperse the value of the property of the deceased so as to secure equal starts and thus to promote genuine equal opportunity. Although there is no easily identifiable transmission of intellectual influence between the three writers, we draw attention to a common and possibly shared background provided by the views of Jefferson and Paine on intergenerational issues.

Marianne Johnson, Suffolk University, "More Native than French: "American Physiocrats and Their Theoretical Influences

This paper presents a systematic discussion of land theories of value and physiocracy in America prior to and following the Revolutionary War. Logan and his contemporaries Franklin and Jefferson formed the core of the American Physiocratic School, which, although distinct from the French physiocrats in a number of ways, promoted agriculture as the source of wealth. These economists provided the counterpart to the manufacturing promoting Federalists, exemplified by Hamilton. The American physiocrats provided a theoretical economic justification for free trade, pro-agricultural policies, and a simplified tax system based on the supposition that land is uniquely productive. However, with this came the recognition that commercial agricultural society was a temporary stage of American economic development.

Nicola Tynan, Dickinson College & Sandra Peart, Baldwin-Wallace College & David M. Levy, George Mason University, "The Vulgar Political Economy of Charles Kingsley: The Case of Public Utilities"

In his little-known review of J.S. Mill's *Principles of Political Economy*, Charles Kingsley devotes many words to Mill's analysis of urban water supply. He agrees with Mill's view of the industry as a natural monopoly requiring state regulation, but provides for reasons radically different. Kingsley's political economy depends critically on his notion of racial hierarchy, i.e. that some races are naturally masters of other races. Unlike the economists for whom technology or property rights were crucial determinants of industry structure, for Kingsley it was the rather more simple structure of finding the right race to be masters. Kingsley twists Mill's discussion of competent judges and gives it a racial interpretation. Unclean customers are deemed incompetent judges of water quality, providing additional support for utility regulation.

• Session 4D, 8:00-10:00, July 1, 20th Century American Economics I

Cheng-Ping Cheng, Soochow University, "Human Behavior and Institutional Elements in the Theories of Gary Becker and Douglass North"

The theories of Becker, the leader of rational choice approach, and North, the forerunner of new institutional economics (NIE), grow from neoclassicism. Although they both have significantly extended the horizon of the doctrine, they have also led the development of mainstream economics into two very different directions. This study explores the institutional elements and human behavior assumptions in the theories of Becker and North, and shows the significance of these two different developments.

The study compares (1) theories of human interaction and (2) the political-economic nexus as understood by Becker and North. The concentration is on how they model broad institutional elements respectively, as well as the features of their models. In particular, the study explores the assumptions of human behavior, which serve as the foundation of their

theories. While Becker consistently defends the central core of neoclassicism — maximizing behavior, market equilibrium and stable preferences — North claims that NIE must “delve into two particular aspects of human behavior: (1) motivation and (2) deciphering the environment” (1990, p. 20) thus going beyond the human behavior assumptions of neoclassicism. Through this analysis, some fundamental methodological controversies, such as formality versus literary and scientific realism versus rhetoric, are examined. Ultimately, the issue of whether North’s theory is complementary to neoclassicism or has developed a new program is addressed.

Malcolm Rutherford, University of Victoria, "Walton Hamilton, Amherst College, Brookings Graduate School, and Institutional Economics"

This paper will discuss the career of Walton Hamilton from about 1916 through to 1928 when he moved to Yale Law School. Hamilton is of interest both because of the major role he himself played in the formation of the institutionalist movement, and also because of the students he produced from Amherst College and from the short lived Brookings Graduate School.

From Amherst, where he and Walter Stewart developed a novel economics program, came future institutionalists such as Morris Copeland, Carter Goodrich, Willard Thorp, Louis Reed, Carl Raushenbush, Stacy May, Winfield Riefler, Addison Cutler, and Dexter Kneezzer. Clarence Ayres was also involved in teaching at Amherst, and Talcott Parsons was another product of the program.

At Brookings, where he again devised a novel training program, Hamilton had a hand in the teaching to PhD level of Dexter Kneezzer, Winfield Riefler, Stacy May, Mordecai Ezekiel, Isador Lubin, Max Lerner, John Neff, Paul Homan, Robert Montgomery, Woodlief Thomas, George Terborgh, William Carson, and many others. A significant number of the Brookings graduates went onto notable academic or governmental careers, and many played major roles in the New Deal administration. The paper will make use of taped interviews with many of these people found in the Brookings archives.

This is an interesting study of the history of institutionalism and of the impact one teacher can have through his students. Hamilton's students had a substantial impact on American economics and on the conduct of economic policy through the 1940s.

Brad Bateman, Grinnell College, "Make a Righteous Number: Social Surveys, the Men and Religion Forward Movement, and Quantification in American Economics"

The purpose of this essay is to tell a multi-layered story about one of the most important types of measurement with which the American historical economists, such as Richard T. Ely and John R. Commons, were involved, the social survey. In order to explain the forces that drove the social survey to prominence, and made it such an important part of the historical economists’ work, the essay is built as a series of overlapping explanations of four intertwined worlds: the social survey movement, American Protestantism, Progressive politics, and American social science. These intertwined worlds were not static, however, and over the first two decades of the twentieth century each underwent significant changes. Thus as we move through them, we will see how the social survey came to be seen very differently during and after the Progressive Era. The essay concludes with a reflection on the particular way that the forces that swept the social survey off the stage of American social science shaped the transition from historical economics to Institutionalism.

- **Session 5A, 10:30-12:30, July 1, Roundtable: Guide to the History of Economics**

A project is underway at Duke University to produce a Guide to the History of Economic Thought for Non-specialist Economists. The project is in its early stages and in this session the organizers (Goodwin and De Marchi) will outline the plans and several of the participants will discuss how they will address the task. We hope at this session to have a general discussion of how we as historians of economics should write for economists who have never had a course in the field - which is most of them. Those who might like to be involved in the project, as well as any one else interested in the problem, should come along.

- **Session 5B, 10:30-12:30, July 1, Young Scholars Session I: Economic Problems in Social Context**

Marie Duggan, Keene State College, "The Laws of the Market vs. The Laws of God"

This paper compares the actions and opinions of a diverse group of Franciscan missionaries in Spanish California as it passed rapidly from a medieval-style barter economy to trade on the international market between 1769 and 1830. By comparing their correspondence with scholastic economic thought, it is clear that they turned to the 13th century for guidance through 19th century conflicts. However, the task of protecting Christian Indians from economic exploitation led them to involve themselves in financial negotiations. The reasons the California Franciscans took this step are reviewed, along with the ethical dilemmas it put them in. Franciscan economic success attracted envy from an incipient private sector of military commanders and veterans. Yet only in 1832 did the private sector succeed in displacing religious control of Indian land and labor. The underlying reason was a structural change from a gift economy to market economy. The relationship between scholastic ethics and the gift economy is the key to understanding why Franciscan management was the best option for economic growth on the Indian missions in the earlier period.

David Duhamel, Universite de Paris I Pantheon-Sorbonne, "Social Contract Theories: A Leap Between Two Generations"

Mostly centered on Hobbes, Rawls and Binmore, this paper ambitions to emphasize both theoretical continuity and temporal discontinuity between the two generations of social contract theories, this through one main hypothesis: in order to save the theory, recent theoreticians of social contract theories had to "kill" it.

The recent confrontation between the Hobbesian social contract theory and some aspects of the rational decision theory, namely the prisoners dilemma (Gauthier, Hampton, Kavka) underscored one major difficulty: if the model chosen to formalize the contract is of a one-shot prisoners dilemma kind, then one has to acknowledge that cooperation is impossible within the social contract framework.

Locke and Rousseau (when discussed in a "rational retrospective" way) encounter similar problems. Since the contract is to be signed between equal and rational individuals and yet to be mimicked on biblical pacts, there can be only one social contract, and hence a one-shot dilemma.

Overshadowed for roughly two centuries, mostly by Utilitarianism, social contract theories reappear through a still blooming second generation (Rawls, Gauthier, Binmore). Whether it is by altering the state of nature in an original position, by amending the traditional

decision theory or simply in abandoning the founding dimension of the pact, these theories all present cases that challenge the long dominating Utilitarianism.

Leandro Montello, Université de Paris I Pantheon-Sorbonne, "Measuring Welfare: From the Hedonical Science to an Economic Perspective"

After making a brief description of some characteristics of the development of the British intellectual environment in ethics and psychology until 1873, we examine those aspects of Sidgwick's account of utilitarianism, and of the ethical method he calls "Egoistic Hedonism", which initiate the discussion on the possibility of measuring pleasure and happiness. A study of this debate in the first issues of the philosophical and psychological journal *Mind* prepares us to the analysis of Edgeworth's attempt, and eventual failure, to produce different methods for measuring welfare.

• Session 5C, 10:30-12:30, July 1, Hayek

Erik Angner, University of Pittsburgh, "Did Hayek Commit the Naturalistic Fallacy?"

In promoting spontaneous orders - orders that evolve in a process of cultural evolution - as "efficient," "beneficial," and "advantageous," Friedrich A. von Hayek (1899-1992) has often been attributed the belief that there is something desirable about them. For this reason, he has been accused of committing the *naturalistic fallacy*, that is, of trying to derive an "ought" from an "is." It appears that Hayek was quite aware of the charge, and vigorously disputed it: "I have no intention to commit what is often called the genetic or naturalistic fallacy," he wrote (1988, p. 27).

Taking their cue from such remarks, Douglas Glen Whitman and Bruce Caldwell, among others, have argued that Hayek in fact denied that evolved orders need to be desirable. According to their reading, Hayek's theory of cultural evolution is a purely explanatory - not justificatory - device. Yet, in my view, Whitman and Caldwell's interpretation is problematic. It finds only weak support in the texts, clashes with the interpretation of people who should know better, and makes it hard to account for Hayek's normatively loaded language and his lack of attention to the distinction between explanation and justification. Thus, we seem to face a dilemma: either Hayek committed the naturalistic fallacy, or his exposition of cultural evolution is somewhat careless and misleading.

In the present paper I wish to argue that the dilemma is false, and that Hayek in fact escaped both the fallacy and the confusion. First, I aspire to show that the naturalistic fallacy has been misconstrued, and that Hayek could defend the thesis that evolved orders are desirable without committing anything of the sort. Second, I develop an interpretation according to which Hayek in fact did maintain a weaker form of the thesis. Through a close reading of the relevant texts, I hope to show that my interpretation is the only one which does justice to the full body of Hayek's work on cultural evolution, while being charitable enough not to accuse him of committing the naturalistic fallacy.

Rob Garnett, Texas Christian University, "Practicing What We Preach: A Market-Minded Approach to Economic Pedagogy"

A curious disconnection seems to lie at the heart of undergraduate economics teaching. We implore our students to appreciate the virtues of markets. Yet most of us teach like central planners: as if we (and our textbooks) were the sole source of knowledge in our classrooms.

Over half a century ago, F. A. Hayek noted a similar problem in our treatment of knowledge in markets. He argued that standard equilibrium models, while nominally pro-market, were profoundly statist in their treatment of knowledge as "given to a single mind" (a

Walrasian auctioneer) and in their implied reduction of society's economic problem to one of resource allocation based on mathematically knowable ends and means. Instead, Hayek suggests that we see economic knowledge as subjective (personal, tacit, non-scientific) and fragmented, a social "division of knowledge" (1948, 50). Of the subjective nature of this knowledge, Hayek writes:

[T]here is beyond question a body of very important but unorganized knowledge which cannot possibly be called scientific in the sense of knowledge of general rules: the knowledge of the particular circumstances of time and place. It is with respect to this that practically every individual has some advantage over all others because he possesses unique information of which beneficial use might be made, but of which use can be made only if the decisions depending on it are left to him or are made with his active cooperation (1945, 522).

For Hayek, the fragmented "division" of this knowledge raises a fundamental economic question: "How can the combination of fragments of knowledge existing in different minds bring about results which, if they were to be brought about deliberately, would require a knowledge on the part of the directing mind which no single person can possess?" (1948, 54)

The purpose of this paper is to extend these insights from markets to pedagogy i.e., to the division of knowledge in our classrooms by asking three basic questions:

1. What do our received models of teaching and learning assume about the nature of knowledge?
2. What are some alternative models?
3. In what sense are these alternatives better, pedagogically, than traditional models?

In answering these questions I will draw upon the rich literature on active learning and feminist pedagogy in economics (Aerni et al. 1999; Bartlett and Ferber 1998; Bartlett and Feiner 1992; Shackelford 1992), as well as the recent writings of Parker Palmer, whose *Courage to Teach* (1999) offers an insightful and compelling complement to these literatures.

Abdallah Zouache, CREUSET University of Saint-Etienne, "The Coordination Question in the Hayek-Keynes Controversy"

Hayek-Keynes controversy has lead to numerous analyses. Tieben (1994) insists on the misunderstandings between Hayek and Keynes. Caldwell (1998) wonders why didn't Hayek review Keynes's *General Theory* after the controversy. Steele (1993) compares Keynes's and Hayek's philosophical perceptions. Selgin (1999) focuses on the pattern of the price level in both theories. Cochran and Glahe (1994), R. Arena (1999) study Hayek-Keynes debate in the light of modern business cycle theory.

This paper offers an alternative analysis, which focuses on two contributions. First, we suggest that one of the main differences between Hayek's and Keynes's theory is the coordination question, precisely, the coordination of rational individual decisions and actions in a decentralized economy. Second, the challenge of the debate is to shed light on the existence of a causal relationship between the analysis of coordination on the one hand, and employment theory on the other hand.

Our analysis of inter-individual coordination in the Hayek-Keynes controversy allows us to distinguish two coordination problems. First, *Hayek's coordination problem* is a temporary one. It is the result of exogenous informational shocks perturbing the interactions between individuals. It leads to a concept of temporary unemployment. Second, *Keynes's coordination problem* is a persistent one. It results from endogenous interactions between individual in interdependent markets. It leads to Keynes's concept of involuntary unemployment.

• Session 5D, 10:30-12:30, July 1, Adam Smith

Melvin L. Cross, Dalhousie University, "Adam Smith on Colonies, Foreign Trade and Conflict"

Adam Smith wove a careful analysis of colonial affairs into his attack on mercantile monopolies. Britain's colonies in North America progressed rapidly, but her Indian colonies remained mired in poverty. Smith explained the contrast by arguing that the liberal institutions of the British constitution prevailed in North America, while in India an exclusive company governed. Thus the Indian colonies were lumbered with illiberal, mercantile institutions that prevented economic progress. Britain's trade with North America represented another case where illiberal, mercantile institutions prevailed. As a result, argued Smith, the benefits of trade with the American colonies were far below potential; further, mercantilism would make it difficult for America to develop beyond providing raw materials for the mother country. Mercantilism also was conducive to violent conflict. In *The Wealth of Nations*, Smith offered a plan to defuse the conflict in North America. However, he feared there would be a long, destructive war in North America, followed by a peace dangerous to the British Empire. This paper argues that Smith's work on colonies remains instructive about the links between institutions and economic progress and between vested interests and violent conflict.

Kirk Johnson, Michigan State University, "The Use and Role of Property in Smith's System"

This paper will attempt to identify and analyze the roles of property within the body of works written or attributed to Adam Smith. To do this, the interpretive literature will help to provide the basis for discussion. This interpretive literature has several different positions, and it will be argued that these views are not necessarily mutually exclusive. Smith used "property" to serve his purpose at the moment, and interpreters have often used a particular interpretation to support their current position. A general model is offered to serve as the basis for further possible discussion on the subject of property and Smith's theories. In this interpretive model, property can be understood to serve a conceptual purpose for Smith as an operational filter to define one's self within social settings. He seems to have felt that individuals define, through property, their position in society, their relationships with others, the appropriateness of their conduct and that of others, their legal and governmental structures in which they live, and their ability to effect those structures.

Takashi Yagi, Gunma University, "Smith and Sraffa: Reconsideration of Labour Embodied"

In this paper, I have examined the embodied labour theory of Adam Smith, and then the Reduction equation of Sraffa in Chapter 6 of Sraffa [1960]. My conclusion is this: there is continuity between the Smithian theory of embodied labour theory of value and Sraffa's idea of the Reduction equation. When the rate of profits is zero, the embodied labour value of a commodity is defined as the quantity of labour used directly and indirectly to produce a unit of the commodity. When the rate of profits is positive, the prices of the Reduction equation can be considered to express the embodied labour. For this interpretation, it is important to make clear the notion of 'the value of labour' of Adam Smith. It is also important to understand that the total value of the commodities produced is equal to the total labour when the rate of profit is zero, and that the standard national income is equal to the total labour when the rate of profit is positive.

• Session 5E, 10:30-12:30, July 1, Population and Wealth

Yasunori Fukagai, Tokyo Metropolitan University, "Bentham and Malthus on Wealth, Population and Pauperism"

Different from the period of Hume and Smith who focused on the wealth path, one of the main issues of economic discourses in the last decade of eighteenth century turned into the topics of poverty with reference to the pauperism. This paper makes the comparison on this respect between Jeremy Bentham and Thomas Robert Malthus.

On 1790, Bentham showed a sort of embryo Malthusian population theory in the expression that the community of 'agriculture without manufactures' brings more population and falls into poverty. In the unpublished manuscripts of mid-1790s, he presented the view that poverty induces man into labour, and labour brings wealth. According to his criterion, poverty and indigence should be definitely distinguished. In his *Pauper Management Improved* (1798), Bentham proposed the programme that should stimulate the labour under the system of inspection house.

Bentham's argument is composed from the combination of three elements: firstly the balanced recognition of the wealth structures between agriculture and manufacture, secondly the utilitarian recognition of the poverty and labour, and thirdly the pauper reform project. This combination is the alternative to that of Malthus. In his first *Essays of Population*, Malthus firstly insisted the priority of agriculture especially in the case of food scarcity. Secondly, he showed the scarcity as the theological device, because it induces human beings into endeavour. Thirdly, Malthus criticised the poor laws under the reason that it keeps man in idle.

William S. Kern, Western Michigan University, "McCulloch, Scrope, and Hodgskin: Nineteenth Century Versions of Julian Simon"

In *The Ultimate Resource* (1981, 1996), and in other publications over the last several decades, Julian Simon put forth controversial views regarding the connection between natural resource scarcity, population growth and economic progress. Simon argued, in contrast to those espousing the "limits to growth," that resources were not getting scarcer, but more abundant, and that a growing population was an asset rather than a liability in the pursuit of economic growth.

When Simon first put forth these ideas, they were considered radical and even nonsensical by some. But recent reconsideration of the traditional view of a negative relationship between population and per capita incomes by development economists and growth theorists has caused a change in thinking on this issue. Several of the leading figures in the fields of economic development and economic growth now believe that in the long run a large and growing population may contribute to faster economic development.

The controversy that Simon's views generated was testimony to the widespread perception that his ideas represented a path-breaking approach to the population issue. However, Simon did make attempts to establish an affinity between his ideas and that of previous writers. Specifically, he credited Malthus's second edition of the *Essay on Population* as a step in the right direction. Why? Because in the second edition Malthus was much more willing to accept the possibility that preventive checks based on a modification of peoples procreative habits could stave off the trend to subsistence wages produced by population growing faster than subsistence.

However, if Simon really wanted to credit earlier writers with having anticipated his own views, much better candidates could be found in the work of several of Malthus's early critics- John R. McCulloch, George Poulet Scrope, and Thomas Hodgskin, for they offered views on the role of population and natural resources in economic development strikingly similar to

those of Simon. Much like Simon they emphasized the impact of population growth in spurring the invention of new technology and its adoption.

• **Session 6A, 2:30-4:30, July 1, Young Scholars Session II: Problems in Recent American Economic Thought**

Kyu Sang Lee, University of Notre Dame, "Innovating Experimental Economics"

Vernon Smith's two papers, "Experimental Economics: Induced Value Theory" (1976) and "Microeconomic Systems as an Experimental Science" (1982), provided experimental economists with the general framework and the standard procedure to follow. Smith's general framework is based upon the decentralized economic systems devised by (new)² welfare economists. Yet, the standard procedure, i.e., induced value technique, originated from the Marshallian economics *à la* the Chicago School. In this paper, I will focus on the historical origin of the induced value technique.

In the experimental economics profession, Sidney Siegel is widely known as a precursor of Smith's induced value technique. Siegel reinterpreted the central concept of Lewinian social psychology aspiration levels - in terms of the subjective expected utility theory. What is less known is that an alternative interpretation of the level of aspiration emerged at the Carnegie Institute of Technology (and the Purdue University) in the early 1960s. William Starbuck's critique of Smith's experimental procedure - "Level of Aspiration Theory and Economic Behavior" (1963) - was an outgrowth of this alternative interpretation. Smith's aloofness from Starbuck's criticism will be interpreted as one of the innovative features of Smith's experimental economics project.

Kimberly Phillips-Fein, Columbia University, "The 'Clark Problem' Revisited: John Bates Clark and the Political Significance of American Marginalism"

John Bates Clark's transition from the Christian socialism of his youth to his mature work on marginal productivity has been seen as an abrupt political transformation by scholars such as Michael Perelman (see *The End of Economics*, 1996). Clark is thought to have abandoned his youthful radicalism in the 1890s, appalled by the violent labor conflicts of the late nineteenth century and by the emergence of Populism, for conservative neoclassical theory.

My paper draws on Clark's major books, journal articles, and correspondence to argue that Clark's later work in marginalism grew out of his lifelong concern for social justice. Marginalism appealed to Clark because it offered him a way of looking at the late nineteenth-century economy in terms of republican principles emphasizing the centrality of the individual producer. Clark was drawn to a vision of the economy which promised that people would receive a share of the social product equivalent to that which they produced. The "Clark problem," therefore, is not as sharp a break in Clark's thought as some scholars have believed it to be, for marginalism helped solve Clark's social concerns regarding the development of the late nineteenth-century economy.

The paper also discusses Clark's work on competitive markets, monopoly, and stock ownership, as further examples of his interpretation of the modern economy through a nineteenth-century republican world-view.

James Smith, Bucknell University, "James Buchanan on Ethics and Economics: Why Doesn't Anyone Care?"

For over a decade, Nobel laureate James Buchanan has focussed much of his attention on a rational-choice analysis of ethical norms, in some ways reminiscent of his applications of the

rational choice model to politics. He is, in effect, seeking to export neoclassical microeconomic logic into the realm of ethics as he previously exported this logic into the realm of political science.

In stark contrast to his highly influential public choice writings, Buchanan's work on ethics and economics has been met with a degree of indifference that seems unusual for major work from a Nobel laureate. The impact of this work among economists has been practically nil. While the attempts of fellow Nobel laureates Amartya Sen and Kenneth Arrow to navigate the gray zone between ethics and economics can scarcely be considered influential, even these have received more attention than Buchanan's contribution.

What accounts for the chilly reception of Buchanan's latest ideas, especially in light of the influence exerted by his earlier and in some ways similar public choice work? My paper/presentation will examine three possible explanations: (1) the resistance among economists to allowing the intrusion of ethical ideas.

• Session 6B, 2:30-4:30, July 1, Mathematical Economics

Marion Gaspard, Université de Paris IX Dauphine & Université de Paris 1, Panthéon, "The Paradoxical Fate of the 'Ramsey Model'"

My aim is to study the singular fate of the so-called "Ramsey model". The original goal of Ramsey (1928) was to answer a new question: how much of its income should a nation save? Notwithstanding Ramsey's pedagogical efforts, the article failed to meet with the "Years of High Theory." Paradoxically, the reasons for this failure are mainly the same as those for its later success. The generalization of the hamiltonian formalism, as well as the growing interest for optimal growth led indeed to a quasi "natural" use of the previous intuitions of Ramsey during the 1960s. A few years later, these mathematical tools became so natural that the New Classical answer to the Sonnenschein "impossibility results" led to a reinterpretation of the model within the framework of representative agent models. The aim of the paper is to focus on two significant modifications of the model between 1928 and today.

In the first part, I regard Ramsey's original article as an appraisal to tackle with both mathematical difficulties (infinite horizon results didn't exist in 1928) and a pragmatist methodology (the working out of plans to guide the human judgments and actions). These constraints compelled him to an innovative but very cautious construction. The fundamental result of this was to distinguish carefully the optimization problem of central planner on the one hand, the individual optimization question on the other hand.

In the second part, I study two chapters in the fate of the model. 1. I show how the spreading of the optimal control formalism in the 1960s led to focus on mathematical refinements. By dealing with the optimization program of a central planner with perfect foresight, (a framework that authorizes the use of an analogy between energetics and capital theory), economists concentrate on the mathematical perfection of their optimization methods. 2. The second main change occurs with the use of the model in a new version: the representative agent models. With the double aid of an instrumentalist methodology and the famous "welfare theorems", the "Ramsey model" begins a new career in the 1980s. It becomes the backbone of the New Classical macroeconomics and simultaneously loses its status of specific model. While the marks of the previous period are still pregnant in the representative agent form, this new step abolishes the original distinction between a price taker individual and a central planner.

James Wible, University of New Hampshire, "The Pragmatic Mathematical Political Economy of Charles Sanders Peirce"

This paper is intended as an introduction to a monograph-length project on the economic writings of Charles Sanders Peirce. Although his economic writings are scant in

comparison to his contributions in other disciplines, Peirce had two periods during which he authored several publications, letters, and manuscripts on economics. The first period, the decade of the 1870s, is also the time during which he wrote his first and most famous series of articles on pragmatism in the "Popular Science Monthly." The second period, during the 1890s and extending to 1903, is the time when he applied abstract mathematical relations to metaphysical questions and to complex evolutionary processes. Peirce seems to have had a vision of economic and evolutionary complexity as being cognized with abstract, qualitative relational theories as general theories and phenomenally specific, quantifiable theories as special cases. This leads one to ask if Peirce conceived of classical political economy, qualitatively interpreted in terms of mathematical relations, as the more general theory and neoclassical economics, focused on quantifiable concepts and applications, as the special case.

John C. Moorhouse & John V. Baxley, Wake Forest University, "Some Properties of R. D. G. Allen's Treatment of Kalecki's 1935 Model of Business Cycles"

This note presents an analysis of Allen's interpretation of Kalecki's 1935 model of business cycles. We focus on this model because it represents a seminal work that has proven important in the history of economic thought and influential in the early development of macrodynamics. As Gandolfo observes the 1935 model . . . "is by now a classic in macrodynamics and cannot be ignored by any dynamicist" (1980, 527). Kalecki's formal mathematical model stands in sharp contrast to the contemporary 'literary' approach of Hayek and Keynes. The Kalecki model is mathematically distinctive in as much as the fundamental equation is a mixed differential-difference equation. We argue that Allen's apparently innocent simplification of the 1935 model robs it of some insightfulness. In addition, Allen misses an important limitation of the Kalecki model.

• Session 6C, 2:30-4:30, July 1, Currents in 20th Century Economics

Roger E. Backhouse, University of Birmingham, "The Stabilization of Price Theory, 1920-1950"

Between 1920 and 1950, price theory stabilised in the sense that there emerged a standard approach, more homogeneous than existed at the beginning of the period. This process was wide-ranging, encompassing the behaviour of consumers and firms, the process of competition, market structure, and the welfare criteria used to evaluate prices. These changes were controversial and the change involved a series of controversies, all of which were resolved in a particular way. Supporters saw what they were doing as clarifying, simplifying and making economic theory more rigorous but they can also be viewed as having changed the meaning of the theories concerned, sometimes in subtle ways but which had profound and sometimes dramatic implications. Not all economists supported these developments but those that did not were marginalised.

The core of this paper is a survey that draws extensively on work by others. Its main contribution is to juxtapose developments that are generally considered separately in order to present the larger picture and to draw conclusions about the process whereby a new type of orthodoxy was established and about the role of controversy and dissent in the development of the subject.

Zbigniew Hockuba, Warsaw University, "Economics, Politics and Art in the Life and Work of Adam Heydel "

Adam Heydel (1893-1942) was an outstanding representative of the Cracow school in Polish economics. The Cracow school, founded by Włodzimierz Czerkowski around the turn of the century, flourished in the period between the wars, when Krzyżanowski, Zweig and Heydel were appointed as professors at Jagiellonian University in Cracow. The second world war interrupted the development of the Cracow school, and it did not revive after the war, in the times of communism.

Heydel was a real Renaissance man. As a professor of economics he was engaged in political life. He loved art, particularly painting and drawing (he published several articles on history of art), had interests in philosophy, sociology and anthropology of culture (his book *Reflections on Culture* was an excellent study of the cultural life in Poland between the wars). In economics, he was a liberal thinker. His socio-economic philosophy was classical liberalism. As far as economic methodology is concerned, he was close to Austrian economics (he was the advocate of methodological essentialism, casual-geneticism, the idea of purposiveness in human action, individualism and subjectivism).

The main goal of the proposed essay is to present a pillar of the Cracow school, in particular, his brilliant economic analysis, but also some of his other activities, which make him such an exceptional phenomenon in the history of Polish economic thought.

Samuel Ferey, Université de Paris I - Sorbonne, "Crossing the Economics Boundaries: The Case of the Chicago School of Law and Economics"

This paper examines from an historical and methodological point of view how 'economic imperialism', understood as the application of microeconomics tools beyond the traditional scope of economics has been applied to Law. We focus on Posner first works and models related to torts dating back 1970's.

This paper demonstrates how Posner's models leverage on the double nature of microeconomics tools : their mathematical nature which confers them an interpretative power of norms (as a more rational and precise language) and their economic nature which introduces economic content into Law.

Firstly, we show how Posner's models combine Chicagoan microeconomics with a tradition of mathematization of Law (whose most famous example is the Hand formula). Posner's insight is to make these two kinds of modelisation compatible. We therefore outline how Posner's models adapt microeconomics tools to pursue both economic predictive and interpretative projects. Lastly and most importantly, we show that this methodology allows for the introduction of the Market as a central element in Law.

• Session 6D, 2:30-4:30, July 1, Historiography

John Lodewijks, University of New South Wales, "HOPE in the Antipodes"

Examines the History of Economic Thought in Australia and New Zealand and compares it with the North American situation. It finds that a number of factors relating to the history of the economics discipline in Australia, the personalities involved and the prevalent research traditions, lead to a quite distinctive Australian contribution. This is reflected not only by the high quantity of HET per capita produced but also by the peculiarities of the nature of the research undertaken.

Robin Neill, University of Prince Edward Island & Carleton University, "From Hope to Acceptance: a New History of Economics"

As its history was told prior to the 1930s, external influences on the development of Economics were either contributing to its advance as positive science, or they were being eliminated from the discipline.

In the doubt and confusion that surrounded economic theory during the 1930s, particularly with the work of J.J. Spengler, external influences of a third kind were seen to be active in the process by which Economics developed. Not the evolution of its subject, nor preconceptions drawn from religion and metaphysics; and neither the indeterminacy of human behavior nor the inability to produce controlled experiments (though these last were not prominent arguments in histories of Economics); but the on-going limitations of the human mental process itself were seen to disrupt the purely positive and rational advance of Economics. Hope in the future of Economics as a positive science gave way to acceptance of its limitations in that regard.

In the last half of the twentieth century, on the basis of this perception of external influences of a third kind, economist historians produced a New History of Economics. In this new account, inherent non-rational workings of mind took center stage. Changing circumstance and ancient myth played secondary roles. As Frank Knight turned the phrase, in the new account "discussion of reality" was no longer separated from "discussion of the nature and structure of thinking".

The immediate effect of the new account was to further remove the History of Economics from its position as Whiggish handmaid to economic theory, and to place it more definitively in a position of sit in judgement on economic theory.

The new approach in the History of Economics was not unique to that branch of Intellectual History. Rather, it appeared in a number of Postmodern departures in the more general discipline. These other, though related, elements in the information environment served to support those taking the new approach in the History of Economics. Indeed, they may have done so to the point of obscuring the fact and nature of unprompted departures into Postmodern analysis of historian economists themselves.

• Session 6E, 2:30-4:30, July 1, Religion and Ethics in Economics

Robert E. Prasch, Middlebury College, "Msgr. John A. Ryan on the Ethics and Economics of Minimum Wage Legislation"

In the United States, individual states were the first to pass minimum wage legislation beginning with the Commonwealth of Massachusetts in 1912. During this period, now termed the Progressive Era, Monsignor John Augustine Ryan (1869-1945) emerged as was one of the earliest, most vocal, and visible proponents of minimum wage legislation. During his career he worked with, and inspired, some of the most important economists and activists of this time, including Richard Ely, Henry Rogers Seager, and Florence Kelley. It was one of his students, Father (later Archbishop) Edwin O'Hara who, as the minimum wage administrator for the State of Oregon, was the named defendant in the first Supreme Court hearing on minimum wage legislation (*Stettler v. O'Hara*, 1917). Through his writings in a wide variety of outlets, both academic and popular, including his 1906 book, *A Living Wage: Its Ethical and Economic Aspects*, Ryan argued that a legislated living wage was a moral and social necessity that was based on sound economics. To establish his conclusions, Ryan carefully grounded his ethical arguments in the Catholic and philosophical tradition of natural rights. Simultaneously, his economic analysis never strayed too far from the mainstream of the economic theory of his day. These dual foundations accounted for his early and substantial influence on Progressive Era debates over labor legislation in general and minimum wage legislation in particular. This paper reconstructs Msgr. Ryan's ethical and economic arguments in support of minimum wage legislation in the context of the social and economic thought of his day.

Benjamin Balak, University of North Carolina at Chapel Hill, "The Ethics of Description and Prescription"

My paper looks at the epistemological history of the opposition between description and prescription, and its relation to ethics in the philosophy and methodology of economics. The structure of the opposition evolves throughout the Scientific Era (from Hume via Popper and the "growth-of-knowledge" theorists to postmodernity). I interpret and evaluate how the description-prescription opposition manifests itself and influences the philosophy of science and thus economic methodology.

The central tension structuring the history of what Poovey (1998) calls "the Modern Fact" since the 17th century is between a particular observable event and the abstract structure of systematic knowledge to which it is subjected. Since the fact serves as the basic indivisible epistemological unit, this tension inhabits all discourses of truth including economics.

I outline a framework to understand and re-articulate the persistent thorn in modern philosophy's side: the irreducible duplicities that render any systematic knowledge underdetermined by reality. Help comes from a surprising direction: The one knowledge-discourse that has evolved to deal with issues of irreducible duplicities is ethics. Its recent stagnation has a history of its own which informs the role it can play in the current epistemological landscape.

Don Frey, Wake Forest University, "Francis Wayland's 1830s Textbooks: Before Economics Was Value Free"

Francis Wayland's widely used *Elements of Moral Science* (1835) and *Elements of Political Economy* (1837) harmonized classical economics with a morality that was acceptable to American Protestants of that era. Despite some similarities between American Protestantism and political economy, the former--unlike political economy-- understood exclusive self-interest as sin, and emphasized obligation to God's will, not attainment of worldly utility. Guided by Bishop Joseph Butler's writings, Wayland reconciled the two bodies of doctrine by arguing that God willed human happiness in this world. This transparent strategy, backed by ample scriptural quotations, kept the *form* of Protestant obligation-ethics while inserting a *substance* that was effectively utilitarian and therefore compatible with political economy. From this ethical base, augmented by a belief in natural rights, Wayland argued for absolute property rights, and minimal government. Also, he argued that international trade was Providential, that national virtue produced wealth, and that support for the idle poor was immoral. Finally, he expressed a profound optimism about technological change, believing that God provided a virtually unlimited number of natural laws for humans to discover and to apply to economic purposes.

• Session 7A, 8:00-10:00, July 2, Classical Economists

Jerry Evensky, Syracuse University, "*The Wealth of Nations* in the Context of Smith's Moral Philosophy"

This piece will examine Books II and III of *The Wealth of Nations* in the context of the rest of the *Wealth* and in the larger context of Smith's Moral Philosophy. Smith's story of capital accumulation, productive versus unproductive labor, unfettered capital flows, and distortions of these flows lies at the heart of his story of the *Wealth of Nations* and human progress more generally.

Evert Schoorl, University of Groningen, "Towards a New Biography of J.B. Say"

In recent J.B. Say scholarship, the overall picture of the historical Say has been fragmented: historians of (political) ideas have deepened our insight in Say the revolutionary, the journalist and the utopian author of *Olbie*. The famous historian of the French Revolution period Robert Palmer has discovered him as an interesting figure 'in troubled times'. And there still is the economist belonging to the economists, whose ideas have been fruitfully re-examined in several recent papers, books and articles.

I argue that we need to reunify the picture of Say as an *Idéologue*, as an entrepreneur and as the economist he predominantly was. I will not revive old discussions about the question whether we really need to know about the life of an economist in order to sufficiently assess his achievement as a theoretician. But it is my point of view that in the case of Say a knowledge of his early careers (in political journalism and in cotton spinning) is perhaps not a necessary condition to understand his theories, but does contribute in a considerable degree to an insight how his theories were conceived and modified. After Ernest Teilhac's fairly hagiographic description of his life and work in 1928, a new critical account will only make Say look more heroic in his failures as well as his successes.

In the first section Say's eighteenth-century family background is examined, together with his position as an *Idéologue*. Section 2 summarises his adventures as a cotton spinner in France under the trade limitations of the Milan Decree. In section 3 the not so easy life of a true liberal under the Restoration régime is described. Section 4 looks at his fortunes as an author and publisher, as compared to those as a professor and international authority.

Neil Skaggs, Illinois State University, "Fine Distinctions: Thornton and Ricardo on the Transfer Mechanism"

Henry Thornton and David Ricardo were the two giants of early 19th-century monetary economics. Thornton's *Paper Credit* and Ricardo's monetary pamphlets, along with the *Bullion Report*, are the only primary writings from the Bullion Controversy still widely read. The secondary literature has tended to characterize Thornton as an economist possessing an encyclopedic knowledge of finance and interested primarily in the detailed short-run processes of the economy. Ricardo has been characterized or perhaps caricatured as a theorist prone to simplifying assumptions and interested only in long-run equilibrium. However, earlier authors (e.g., James Ahiakpor, Samuel Hollander, and Thomas Humphrey) have shown that Ricardo was aware of the short-run implications of monetary policy. Furthermore, in private correspondence James Ahiakpor has cast doubt on the validity of the earlier assessments by Jacob Viner and Herbert Grubel of Ricardo's theory of international adjustment.

In exactly what ways do the theories of the transfer mechanism set forth by Thornton and Ricardo differ? Did Ricardo ever develop a reasonable theory of the transfer process, or did he merely apply the results of long-run equilibrium theory to the short run? If Ricardo did have such a theory, how does it compare to Thornton's? And how well have commentators performed in evaluating the theories set forth by Thornton and Ricardo? This paper attempts to answer these questions while stating Thornton's and Ricardo's theories in a way that does justice to the authors.

• Session 7B, 8:00-10:00, July 2, Economic Policy

Nils Goldschmidt, University of Freiburg, "Leonhard Miksch (1901-1950)"

The ideas on *Ordo-Liberalism* by the German economist Leonhard Miksch, whose 100th anniversary we commemorate this year, have so far received little attention in the history of economic thought. This is surprising as Miksch provides insights into the debates within the so-called "Freiburg School of Law and Economics" in its early phase and, moreover, gave impulses

that were essential to the further development of this economic approach. In addition, as a close advisor to the "political father" of the German "Social Market Economy", Ludwig Erhard, his influence on German post-war economic policy was considerable.

Furthermore, Miksch's thinking on the combination of market forms and market constitution, as analyzed by Miksch primarily in his habilitation thesis on "Competition as Task" (1937), supervised by Walter Eucken, are unique and inventive. It can be shown that his ideas on economic policy culminating in the reference model of "competition as-if" as well as the connection he established with the economic foundation of democracy are of enduring relevance. The latter insight characterizes Miksch as an (overlooked) precursor of Constitutional Economics, which were later developed independently by James M. Buchanan.

Robert E. Prasch, Middlebury College, "American Economists, the 'Marginalist Controversy,' and the Academic Debate Over Minimum Wage Legislation: 1945-1950"

After World War II, the Truman Administration proposed a substantial increase in the level and coverage of the minimum wage. Not surprisingly, this induced a debate over the economic effects of such legislation that, because of its emphasis on the role of empirical methods and the shape of the marginal cost curve, is now collectively remembered as the "marginal cost controversy." Richard Lester initiated this debate with a series of articles that presented the results of several empirical studies. These studies collectively suggested that marginal cost curves were not upward sloping and that firms would be unlikely to reduce employment in the face of a higher minimum wage. This argument induced several varied responses. Fritz Machlup argued against the accuracy of Lester's evidence on (largely) subjectivist grounds. George Stigler reasserted the authority of the Marshallian partial equilibrium framework that we now associate with the post-war Chicago school and Milton Friedman side-stepped the challenge to Marshallian premises by insisting that the positivist method staked its truth-claims on the quality of its predictions rather than on the accuracy of its premises. My paper concludes that it was this watershed debate, rather than some 'crucial experiment, that was to fundamentally alter the criteria by which American economists would discuss and evaluate the economics of minimum wage legislation over the next several decades.

Joseph J. Persky, University of Illinois at Chicago, "Welfare Economics and Cost-Benefit Analysis: Snapshots from a Shotgun Wedding"

Cost-benefit analysis remains the dominant economic approach to public expenditure evaluation. Cost-benefit analysis has pushed economic thinking into public debates and, reciprocally, has brought an uncommon level of public scrutiny to the technical deliberations of economists. Precisely because cost benefit analysis addresses serious real world decisions, this widely used, and frequently abused, tool of applied economics has had a bumpy history.

Much public attention has been devoted to situations in which public actors violate or manipulate the principles of cost-benefit analysis, e.g. just this last year, newspaper headlines across the country announced that a Pentagon investigation had found systematic manipulation of net benefit estimates at the Army Corps of Engineers. (Washington Post 12/7/2000)

But perhaps equally upsetting has been the inability of welfare economists to clearly enunciate the underlying normative principles of cost-benefit analysis. The key problem, in this respect, has been the long-running effort to justify the Kaldor-Hicks criterion. This paper proposes to review that effort, to connect it to its origins in what Hicks called the "classical creed" and to demonstrate the inadequacy of this defense of public programs. In short, the "classical creed" had been originally conceived in terms of market driven technological changes. In Marshall's version of the creed such changes were most likely to bring down prices of necessities consumed widely by the poor and the working class. This argument cannot be easily carried over to the public sphere. More recent efforts to recast the problem in terms of "procedures" and "games" are even less convincing.

Ultimately, the effort to cast public decision making in a form analogous to market decision making uncovers economics' fundamental lack of a clear yardstick of value. The paper ends with a brief discussion of Hicks efforts in the 1970s to come to grips with this basic point.

Michalis Psalidopoulos, Panteion University of Political and Social Sciences, "A Central Banker and Social Justice: K. Varvaressos (1884 -1957)"

The purpose of this paper is to analyse and evaluate the contribution of Kyriakos Varvaressos, an unfortunately neglected case of an expert in monetary policy with an eye for social justice, for economics and economic policy in Greece.

Varvaressos studied in Greece (1902-1906) and in Germany (1908-1912) and later organised the Greek Statistical Service. He became a Professor of Economics at the University of Athens in 1918 and attended as a member of the Greek delegation Versailles. Since 1924, he was an economic advisor at the Central Bank of Greece, in 1933 he became its Vice Governor and in 1939 its Governor. In 1932, after Greek default in the wake of the great depression, he became Minister of Finance and laid down, in a short time, a fiscal and monetary policy that helped the Greek economy to recover quickly. In 1936 he became a member of the Academy of Athens.

After the outbreak of World War II, Varvaressos joined the government-in-exile as Governor of the Central Bank and Minister of Finance. He was based in London, got to know Keynes and participated in all allied conferences before and after the end of the war. Between May and September 1945, he was Vice Prime Minister of Greece with unrestricted authorities in all economic affairs and he tried to implement a policy that would help liberated Greece to adjust itself to economic stability and peace. This time he failed, as both the political right and left fought him for their own reasons. Varvaressos left Greece and resided in the U.S.A. He worked at the IMF (1945-1950) and at the World Bank (1950-1957) as an Executive Director. In 1952 he wrote his famous *Report on the Economic Problems of Greece*, a report commissioned by the Greek government and discussed widely in Greece and elsewhere.

Subsequent chapters of the paper analyse Varvaressos' theoretical contribution and his activities as a policy maker through the interwar and postwar years. Finally, conclusions are drawn about this anti-inflationist, who didn't rely, as an economist, on market forces only and favoured government intervention for the sake of social justice.

• Session 7C, 8:00-10:00, July 2, 20th Century American Economics II

Ross Emmett, Augustana University College, "Evolution and Human Beings: Frank H. Knight on Economic Psychology, Cultural Evolution, and the Defence of a Free Enterprise Society"

The paper links the economic psychology developed by Knight in the 1920s to his theory of cultural evolution outlined in several works during the early 1950s. We usually interpret Knight's work on economic psychology as a response to the naturalistic turn in American Institutionalism, but here the string of essays Knight wrote during the 1920s will be interpreted somewhat differently; as the articulation of a theory which places human interests in a cultural, rather than a biological or behaviourist setting. Part of the impetus for his culturally-based psychology will be seen to lie in Knight's attempt to separate human development from biological evolution. This theme is picked up again in the early 1950s in several essays (most of them unpublished) which identify a theory of cultural evolution. Unlike Hayek, who emphasized cultural evolution through group selection, and argued that a cooperative social order emerged spontaneously, Knight emphasized the novelty and rule-breaking aspects of human activity, and argued that a liberal order would constantly have to be won again.

Cheng-Ping Cheng, Soochow University, "A Comparison of Historicism of John R. Commons and Douglass C. North"

As North specializes in economic history, Commons, although famous for his work on labor-reform legislation and his theory of institutions, was also an outstanding historian in both the history of economic thought and economic history. Therefore, while most research explores the theoretical and methodological relationship between Commons and North, this paper is the first attempt to compare the historicism of these two institutionalists.

Commons views the rise of capitalism in three ascending stages: the transformation of land, or rent bargaining; the transformation of business, or price bargaining; and the transformation of labor, or wage bargaining. In *Structure and Change in Economic History* (1981), North divides relevant economic history periods as: feudalism, early modern Europe, the Industrial Revolution, and the second economic revolution. Identifying their historicism, I restate the historical explanations Commons and North give for the great land transformation and the great business transformation. Five dimensions are assessed: the questions asked, the historical events, the explanatory variables and theories, the analytical processes, and the historical approach. Finally, the issue of whether the usual simplistic dichotomy of Original and New Institutional Economics is appropriate for North and Commons is addressed.

Sherry D. Kasper, Maryville College, "Why Was Henry Simons So Interventionist?"

In 1934 Chicago economist Henry Simons presented "A Positive Program for Laissez Faire," a group of proposals designed to reconstruct the devastated American economy in a fashion that would save its organizing principle of classical liberalism. Ostensibly these proposals profoundly influenced future generations of Chicago economists. (See Friedman 1956:4 and 1962; 1981:4; Lucas 1977:234). Yet, by the end of 1960s, some began to retreat from unconditional praise of their intellectual mentor. (See, for example, Friedman 1967:2; Stigler 1988:149). In a symposium about the intellectual history of law and economics, Ronald Coase summarized their concerns when he inquiringly observed that the 1934 "Positive Program" was "highly interventionist" (Kitch 1983:178). Simons's disciples quickly defended Simons's classical liberal credentials by appealing to either his ignorance of the facts (Friedman 1976:13 and DeLong 1990:614) or the context of the times (Kitch 1983 and DeLong 1990:602).

This paper counters Simons's disciples by arguing that his proposals were highly interventionist, because he worked as an economist from an earlier era using a different set of best practices. As a result, his recommendations were not made in ignorance of 1930s monetary data or as rhetorical sops to the pro-interventionists of the 1930s. Rather they originated in the pluralism that characterized the interwar period in American economics (See Morgan and Rutherford 1998). To develop the argument, the paper will proceed in four stages: a detailed summary of the "Positive Program"; an account of Simons's orientation toward problem-solving and evenhanded advocacy; a description of the ways in which his economics bridged neoclassicism and institutionalism; and an explanation of how his best practices influenced his interventionist policy proposals.

• Session 7D, 8:00-10:00, July 2, Heterodoxy: Old and New

Adil H. Mouhammed, University of Illinois at Springfield, "On Ibn Khaldun's Contribution to Political Economy"

Ibn Khaldun was born in Tunis in 1332 and died in 1406. Toynbee in his *Study of History* thinks that Ibn Khaldun's philosophy of history, which was stated in *Prolegomena (The Mugaddimah)* is, "undoubtedly the greatest work of its kind that has yet been created by any mind in any time or place" (Volume III, p.322). *The Mugaddimah* was "completed in 1377 . . . and issued in printed form in . . . the 1850's" (Spengler, 1964). Ibn Khaldun discusses in depth the division of labor and stresses the significance of specialization long before Adam Smith. Ibn Khaldun

believes that social organization is a necessary condition for economic activities, for people cannot work and live without social organization. Ibn Khaldun thinks that labor is the source of value. For him utility can also be a source of value. Ibn Khaldun explains very clearly price determination according to supply and demand.

Ibn Khaldun outlines the significance of freedom of choice, and believes that forcing workers to do things outside their fields make workers lose their income and destroy civilization. He thinks that profit is the reward for undertaking risk. For him, free trade increases people's satisfactions, enhances business profits, and increases the wealth of trading nations. Ibn Khaldun believes that when taxes are heavy "civilization is destroyed, because the incentive for cultural [business] activity is gone. "He argues that a nation's prosperity is an outcome of the amount of labor available, not the availability of gold and silver. For Ibn Khaldun, protection is an unjust act. Also, he believes that business slumps are generated by corrupted governments.

Ibn Khaldun's foregoing contribution to economic thought was as good as the other great contributions made such as that of Adam Smith. Smith is considered the father of political economy, but Ibn Khaldun has had no place in the literature. Reasons behind this ignorance may be due to the language that Ibn Khaldun uses and the time the *Muqaddimah* was published. Another reason may be that Ibn Khaldun was in advance of his time. A final reason may have been the colonial domination. The sample of Ibn Khaldun's basic contribution suggests the need for this paper.

Midori Wakamori, University of Tokyo, "Karl Polanyi's Image of Political Economy"

In the chapter 10 entitled "Political Economy and The Discovery of Society" of his *The Great Transformation* [1944], Karl Polanyi [1886-1964] showed his unique characterization of political economy. In this paper, I explore his image of political economy, which was described by him as a crucial idea of the *Poor Law Reform* [1834]. According to Polanyi, political economy did not begin with Adam Smith's *Wealth of Nations* [1776]. Focusing to the period when criticisms against the Elizabethan Law [1601] have been potent, Polanyi showed how the discourses of political economy evolved in four stages.

Polanyi found the first criticism against the Elizabethan Law in Defoe's giving *Alms No Charity, and Employing the Poor a Grievance to the Nation* [1704]. Secondly Polanyi focused on J. Townsend's *Dissertation on the Poor Laws* [1786] which presented the crucial view against the Poor Law from the viewpoint of "natural equilibrium" mechanism of population. Thirdly Polanyi evaluated Malthus as a starter of political economy. *Principle of Population* [1798] was the monograph that transcribed Townsend's natural equilibrium theorem in the term of political economy. Fourthly Polanyi treated the role of Martineau as the popularizer of political economist's criticism against the Poor Law.

• Session 8A, 10:30-12:30, July 2, Philosophy and Methodology III

**Ramon G. Fernandez, Universidade Federal do Paraná & Huáscar Fialho Pessali,
Universidade Federal do Paraná & University of Hertfordshire, "The Rhetoric
of Economics and the Non-Mainstream Paradigms"**

The rhetorical perspective in Economics, launched by D. McCloskey in 1983, was received with mixed reactions among the economists outside the Mainstream. As rhetoric stresses the role of conversation in Economics and the importance of dialogue, some non-mainstreamers considered that this perspective necessarily implied a defense of pluralism, thus welcoming it as an ally against the intellectual monopoly of the neoclassical approach(es). Others, however, considering that this economist looks at herself as a basically Neoclassical economist ("from the Old Chicago School"), understood that rhetoric was just a different (and even more dangerous) way of shielding economic orthodoxy from the heterodox attack, as inter-

paradigmatic methodological discussions would be so prevented. This paper surveys the arguments of those who criticize, and of those who support the rhetorical approach. Special attention is given to a third group of commentators, who can be considered as sympathetic to the rhetorical approach to science in general and economics in particular, but who make, however, some criticism to the particular way in which McCloskey developed her rhetorical approach.

Leon Montes, Cambridge University, "Smith and Newton: Some Methodological Issues Concerning General Economic Equilibrium Theory"

The interpretation that Smith applied Newton's method to political economy is quite popular. But in particular, this argument has been used to defend a particular version of the invisible hand and the intention of the controversial chapter 7, Book I of the WN, baptizing Smith as a forerunner of the theories of general economic equilibrium (e.g. Schumpeter, 1994 [1954]; Arrow-Hahn, 1971; Jaffé, 1977; Samuelson, 1977, 1992). The aim of this paper is to argue that these interpretations are disputable in many aspects. Indeed, Adam Smith's rich, complex and broadly philosophical method has been confined to a particular interpretation of Newton in which the narrow mathematical and technical elements overshadow the richness of his approach to economics.

It will be argued that Newton's influence is more complex. Then the widespread view of what can be labeled as 'Smithian Newtonianism', as simply applying a particular mechanistic version of society presupposing an atomistic view of human beings, will be questioned. Smith deviates from this biased neoclassical and mainstream understanding of Newton's method. Specifically I focus on the popular interpretation of Smith as a precursor of general economic equilibrium theory. First, Walras' methodology will be analysed. It will be inferred that the foundations, and successive developments of general equilibrium, emulate *Principia's* achievement presupposing a Platonic view of the world. Walras' idealistic position will be contrasted with the pragmatic Smithian view. Then the controversial chapter 7 of Book I of the WN is reassessed in order to conclude that the relatively generalized view of Smith as a forebear of general equilibrium is disputable. Finally I discuss some similarities between Smith's broad and interdisciplinary project and Critical Realism.

Satoko Nakano-Matsushima, Princeton University, "Mandeville's Vice as a Cognitive Process: A Neglected Mechanism for the Division of Labor"

This paper revisits Bernard Mandeville's conception of a division of labor developed through the local interactions of individuals where the cognitive processes of individuals unintentionally promote the public benefit.

Two perspectives are important for understanding Mandeville's mechanism for the division of labor. Firstly, Mandeville's 'vice' conception can be interpreted as the process of receiving and processing information through individuals' market interactions, being placed in the philosophy of empiricism since J. Locke, G. Berkley and D. Hume. Secondly, Mandeville saw the development of the division of labor as a complication of trading networks webbed through cognitive adjustments within market interactions.

This cognitive capacity enables the alterations of individuals' preference and actions and this brings about a more developed division of labor. 'Vice' oriented behavior is a type of behavior controlled by subconscious signals communicated through localized interactions to coordinate trading actions across the whole economy. For example, changeable preferences based on a current mode or fashion provide effective demand for numerous goods enabling to the development of the division of labor. In this way, Mandeville's view of market structure is based on the adjustable nature of consumers' cognition and psychology.

• **Session 8B, 10:30-12:30, July 2, Visual Representation and Economics**

Pedro Teixeira, University of Porto & University of Exeter, "Persuasion, Illusion, and Possibility: The Changing Fortunes of Graphical Representations on Personal Income Distribution"

The late nineteenth century, early twentieth century observed the emergence of several graphical and analytical devices devoted to the analysis of the personal distribution of income. Most of this work was prompted by the interest in analysing if the current distribution was changing and in positive case, in what sense was changing. It was in this context that were proposed the graphical devices by Vilfredo Pareto and Max Lorenz.

Stimulated by his fight against socialism, Pareto devoted a large part of his attention in the late decade of the nineteenth century to the analysis of personal income distribution's statistics. This analysis, in particular its graphical expression, had a serious impact in his work. Accordingly, the plotting of the incomes with the number of families, in a double-log framework, suggested two main results. First, an almost linearity of the curve for the level of income above tax-exemption. Second, stability in this distribution in different historical and geographical contexts.

A statistician, Lorenz proposed his graphical device in paper published in 1905 in the Journal of the American Statistical Association, in a context of discussion of possible methods of measuring the concentration of wealth. It consisted in cumulating in the horizontal axis the percentage of the population, from poorest to richest, and along the vertical axis logarithms of the cumulated amounts of the wealth held by the successive percentage of the population, from poorest to richest. He stressed the usefulness of the method when comparing different geographical and/or historical contexts.

Both proposals emerged in a context where the ethical implications of the research on this income were vividly present. In the case of Pareto, it was an effective and persuasive way of showing the impossibility of artificially or rapidly improving the current distribution of income. In the case of Lorenz, it was made clear that the (desirable) term of reference was a more egalitarian distribution of personal income.

The paper addresses the reasons for the rapid and enduring success of Pareto's graphic analysis, as well as its slow but steady critique that promoted the development of different approaches to research on personal income distribution. These developments were ultimately responsible by the demise of its use and with the increasing use of Lorenz curve in the mid-twentieth century, almost fifty years after its presentation.

The analysis proposed in this paper aims to shed some light on the success and misfortune of these graphical devices, and the conditions for either of those fates. The analysis attempts to show that the differences in terms of popularity of each of these two graphical devices are not only associated with their intrinsic characteristics, but also with the theoretical framework in which they were embedded. Furthermore, it enhances the relevance of the changing conditions of the economic discipline, e.g., in terms of availability of statistics. On the other hand, the motivations of the researchers on this topic are also a relevant aspect in explaining the different stories of each of these graphical instruments.

David M. Levy, George Mason University & Sandra J. Peart, Baldwin-Wallace College, "Visual Representations of Economic Man: The British Anti-slave Coalition, Victorian Racial Anthropologists, and *Punch*"

When the now forgotten W. R. Greg attacked the program of Irish property right reform proposed by Isaac Butt, J. S. Mill, John Bright and others, he asserted in a series of reviews in the leading periodicals of the time that they, as economists, abstracted from considerations of race, that they treated the Irish as if they were the same in foundation as English. This doctrine of human homogeneity is wrong, Greg asserted: the problems of Ireland

are insolvable as long as there are Irish because the Irish were not an abstract economic man; rather, a concrete economic man, and one incapable of self-government.

We shall consider the debate over human homogeneity as it unfolded in visual representations informed by theory. On the side of the defenders of human homogeneity, the British anti-slave movement, we consider the image of a fettered and supplicant slave in a Wedgewood cameo that invites the spectator to imagine himself in the position of the slave (who is, after all, his brother). This image, and the accompanying phrase, "Am I not a man and a brother", constituted the great visual representation of analytical equality among mankind, the doctrine of Smith and Mill that observed differences are explained by luck, incentives and history.

In opposition to this doctrine, we have the theory of Greg and the racial anthropologists, of human heterogeneity. We propose also to consider the attack on abstract economic man, far more successful than that by Greg, launched by the Victorian anthropologists and their admirers in the magazine *Punch*. Might not a picture help to tell the difference between the Irish and the English? We trace the development of the Irish caricature from apish to ape-man in *Punch*. We document the dissemination of the anthropological assertion by James Hunt in 1864 -- the "savage" is without positive -- in the drawings of its principal artist after 1865, Sir John Tenniel. The cannibalism libel which *Punch* propagated when the Eyre controversy arose was prepared by a series of cannibalism assertions in the *Anthropological Review*. We point out the remarkable similarity of the *Punch* image of the Other to the most remarkable fraud in 20th century anthropology, the Piltdown Man, and offer connections.

We trace the representation of the Other also in a series of images drawn by John Wallace, including that from 1893 of John Ruskin caricatured as St. George represented as slaying a friend of the "dismal science" who is clearly imagined as a race apart. An even more disturbing image occurs in an 1878 advertising campaign for Cope's, the John Wallace collection of caricatures described as the *Peerless Pilgrimage to the Shire of St. Nicotine*. In the *Pilgrimage* taking central stage is Ruskin on horseback trampling on a clerical person with the term "Cant" tacked on him. Part of the opposition is obvious: there is a leaflet with the word "Anti-Tobac" in his pocket. Part of the opposition is not so obvious unless one knows that "Cant" was the phrase Thomas Carlyle (pictured as Ruskin's master in the painting) used to describe the egalitarian rhetoric common to the anti-slavery coalition of the "dismal science" and "Exeter Hall".

Manuel Santos-Redondo, University Complutense de Madrid, "Economic Activity as Reflected in Painting: The Contrasting Views of Economists and Art Historians"

The Moneychanger and his Wife is a Flemish painting from the early 16th century, widely used to illustrate economic activity. There are two different versions: one by Quentin Massys, 1514, and another by Marinus van Reymerswaele, 1539. There are significant changes between the two versions, which I will argue do have an economic meaning. In the process of reviewing the different interpretations provided by art historians of this picture and other similar ones, we shall see that they are consistent with the views that most art historians share about the commercial and financial world rather than based on any objective interpretation of the painting and history. Thus, while the picture shows commercial and financial activity to be a normal, respectable occupation, most art historians see a moralizing and satirical intention. My view is that art historians' prejudice towards commercial and financial activity leads them to a wrong interpretation of the painting.

- **Session 8C, 10:30-12:30, July 2, Austrian Economics**

Neelkant Chamilall, Universite d'Aix-Marseille III, "Menger's Complexity"

Since the renaissance of Austrian economics in the 1970s, several economists have engaged in a process of analytical refinement of Menger's contributions. Few have tried to articulate these analytical insights into a coherent vision. According to one author who did try to articulate this vision, a plausible reason for this imbalance might be found in the 'difficulties of reading Menger' (Alter-1990). The thesis of this paper is that no grain of difficulties is to be found in reading Menger and that, if his contributions are properly read, his vision emerges with exceptional clarity. This vision, the paper argues, is captured by Menger's desire to construct a theory of complex phenomena. Complexity informs not only Menger's economics treatise, the Principles of Economics, but is also at work in his work on methodology, Investigations into Method. Far from representing an anachronistic appraisal of Menger's vision, this paper only sheds light on the extent to which his "achievement has become timeless ... [in that] he succeeded in taking an enormous step forward on the road of knowledge" (Schumpeter).

Hansjörg Klausinger, Vienna University of Economics and Business, "Austrian Economics in Two Minutes: Fritz Machlup as a Journalist"

In the 1930s Fritz Machlup ran a weekly column in a Viennese daily newspaper ("Das Neue Wiener Tagblatt") where he attempted to educate public opinion in (the Austrian version of) the commonsense of economics. From this attempt resulted up to 100 columns in the period from 1932 to 1934, which dealt with the current economic problems of the specific Austrian situation during the Great Depression as well as with economic questions of a more general nature. These short contributions (combined with others directed at the lay public) have hitherto escaped the attention of historians of economic thought.

This study of Machlup's journalistic work centers on his views on crisis policy during the Great Depression. Thereby Machlup distinguished between the cases of neutral and non-neutral money and arrived at two simple conclusions: On the one hand expansionist policy - with pump priming the most important example - is ineffective if money is kept neutral. On the other hand it is inflationary and therefore harmful if money is not neutral. Furthermore, the main causes of the depression are structural revealing themselves in the phenomenon of capital consumption. Finally Machlup's view of the trade account as endogenously determined by the other accounts of the balance of payments is examined.

The concluding section contrasts Machlup's position on crisis policy, especially the emphasis on structural (supply-side) factors and the neglect of aggregate demand, to other contemporary views (proto-monetarist and proto-Keynesian).

Christel Vivel, Universite Lumiere Lyon 2, "The Fiction of Pure Entrepreneur: The Essence of the Austrian Middle Ground. The Epistemological and Methodological Legacy of Mises Austrian Theory of Entrepreneur"

Historically, the Austrian theory of entrepreneur emerged from the economic calculation debate. Elements can be found in Mises and Hayek's theories but were systematized by I.M. Kirzner. This theory is often presented as a theory of entrepreneurial alertness to the hitherto unnoticed opportunities. In a 1985 book, I.M. Kirzner presented his own theory of entrepreneur as a middle way between two opposing "extreme" views. One view called neoclassical sees the entrepreneur as responding to market conditions, with pure entrepreneurial profit the corresponding reward. The second view is associated with the work of G.L.S. Shackle, also called radical subjectivism, sees entrepreneurship as injecting new elements into those conditions, unpredictably.

The aim of this paper would be to show that this middle way implies to build a fiction. This means was itself employed by Schumpeter for his own theory. This fiction is employed to explain both change and tendency to the coordination of individual plans in the market. Kirzner borrow from Schumpeter the persuasive equilibrative aspect and the creative aspect of the entrepreneurial function even if he associated these aspects quite differently.

Keith Jakee & Heath Spong, RMIT University, "Kirzner's Equilibrium Revisited"

Kirzner has promoted the entrepreneurial role in the market process more than any other author in the second half of the twentieth century. His description of the market process and entrepreneurship in his 1973 work, *Competition and the Market Process*, represents a seminal contribution both to Austrian thinking and economic theory as a whole. His development of this theory (e.g., 1985, 1992) has been instrumental in generating academic debate about the role of equilibrium within a theory of the entrepreneurial process (Buchanan and Vanberg, 1991). While Kirzner has maintained the equilibrium concept as representative of market induced tendencies (see Kirzner, 1992: 25-30) radical subjectivist thinkers have labelled it as teleological and questioned its worth in a description of the market process.

This paper investigates the historical development of Kirzner's theory of the entrepreneurial process. However, we illustrate the value of examining his early contribution to economic methodology and his description of what defines the mandate of economics: praxeology (Kirzner, 1960). We argue that it is within his description of praxeology, built on Mises work *Human Action* (1949), that one encounters Kirzner's earliest discussion of teleology, and its importance for economic process theory. Awareness of this background promotes an improved understanding of his theoretical insights, and allows the worth of his entrepreneurial process message to be fully appreciated.

Within this context, we trace the development of Kirzner's theory of entrepreneurial discovery, and its role in the study of praxeology. Furthermore, while attempting to provide our own clarification of Kirzner's approach by examining the history of his work (as outlined above), we remain critical of Kirzner for inadequate differentiation between his use of the term equilibrium, and that utilized by those representing the neoclassical perspective of the profession. It was not until 1992 that Kirzner provided a comprehensive explanation of his non-teleological use of the equilibrium concept. We cite this confusion as responsible for some aspects of Kirzner's message remaining clouded for too long.