Final HES Schedule

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Hes2011 website: http://hes2011.nd.edu/

Friday June 17

10-12AM **David Kaiser** [MIT] opening Presidential plenary

"Political Economy and the Production of Knowledge: What the Physicists can Teach us about Economics"

12-4PM Executive Committee meeting

1-2:30 Parallel Sessions α

α 1] Economics of Bernard Lonergan

Paul Oslington, **"Bernard Lonergan and the Development of Catholic Social Teaching on Economics"**

Affected by his experience of the Great Depression and the inadequacy of the simple-minded moralism characteristic of church statements on economic matters, Bernard Lonergan worked extensively on economics in the 1940s. He producing a sophisticated macrodynamic model with Marxian, Schumpeterian and Keynesian elements, but then dropped economics to concentrate on writing *Insight,* only returning to the subject in the 1970s and teaching an economics course at Boston College.

We situate Lonergan's economics within the context of his overall theological project and of economic theory in the 1940s and 1970s. We compare Lonergan's approach with that of contemporary mainstream economics, identifying connections and significant tensions. We consider what it might contribute to the development of Catholic Social Teaching on economics. The final section discusses Lonergan's approach to the relationship between economics and theology, and the difficulties of interdisciplinary work.

Patrick Byrne, **"Bernard Lonergan's Economics in the Context of his Theology"**

Economic problems very much like what we have been living through for the past year and a half were at the center of Bernard Lonergan's concerns when he turned his attention to the field of economics. He began to write down his ideas on economics somewhere around1942, in the wake of the Great Depression.1 By 1944 he had a fairly developed, but still incomplete manuscript. That manuscript contained his fundamental ideas. Although he returned to that work, constantly revising it in conjunction with a series of courses he offered at Boston College from 1978 through 1983, he did not revise the fundamental ideas of 1944.

Lonergan's concern in the period of the early 1940s was the devastating impact of the Great Depression of 1929-1939. Recently we have been hearing frequent comparisons between our present situation and the Great Depression. While there are certainly many differences between our present economic crisis and the Great Depression, the comparisons suggest that his economic theory may offer important insights about our present situation—and, I believe, important insights regarding the future.

Paul O'Connor **"Lonergan's Macrodynamics"**

In the wake of the recent financial crisis, many have been quick to blame the greed of speculators and derivative traders and the not-so-benign neglect of government regulators and credit-rating agencies. Ignorance and misunderstanding likely played their parts, too. The philosopher and theologian, Bernard Lonergan was convinced that calls for a more responsible ordering of our economic affairs devolve into mere exhortations unless they are rooted in an adequate account of the inherent demands of expanding economies. This paper seeks to situate Lonergan's contribution to redressing that need as well as to discuss the vital collaboration so necessary in advancing our understanding of modern economies and their moral requirements.

The paper begins by briefly contextualizing Bernard Lonergan's work in macroeconomic dynamics, which he first undertook in the 1930s and 40s and to which he returned in 1970s and early 80s. Perhaps no one economist was more influential upon Lonergan's initial formulations than Joseph A. Schumpeter, whose *The Theory of Economic Development* and three-volume opus, *Business Cycles* Lonergan studied closely. Schumpeter's *History of Economic Analysis* was a constant companion when Lonergan returned to his study of economics several decades later.

While Schumpeter's analysis clearly left it mark, Lonergan's analysis departs from Schumpeter's conceptions in several important ways. Thus, the central portion of this paper discusses the principal features of Lonergan's macroeconomic dynamics, including his functional distinctions between basic and surplus production and between basic and surplus monetary circuits. These distinctions are made with an eye toward explaining economic expansions and the longer-term accelerations of production, commerce, and finance witnessed during such periods. In and through the course of rapidly developing economies, Lonergan identifies a "pure cycle," in contrast to and more fundamental than the more familiar "trade cycle" analyzed by Schumpeter. A successful negotiation of this pure cycle is conditioned largely by how individuals and communities respond to diminishing rates of return, what Schumpeter meant by entrepreneurial profits and Lonergan by "pure surplus income."

Disc: Paul Oslington, Douglas Meador

α 2] *cancelled*

α 3] Post-WWII Orthodoxies in the making

Toshiaki Hirai **"The Welfare State in the Making - Beveridge and Keynes"**

The social system of the postwar UK is often referred to as 'Keynes=Beveridge System' after Keynes, who brought on the 'Keynesian Revolution' in the field of economic theory and policy with his *General Theory*, and Beveridge, who laid the foundations of the social security system with the *Beveridge Report*. As will be seen, Keynes and Beveridge endeavored in close collaboration to see their ideals implemented in the 1940s, earning the whole-hearted support of young economists and officials. Here we will examine the Beveridge Report in the making and thereafter, paying special attention to how Keynes and others contributed to the completion and realization of the Beveridge Plan.

Firstly, we briefly examine how Keynes evaluated the market society. The direction in which anyone might hope to see the market society transformed will depend upon his/her social philosophy. Secondly, we take a look at a number of social security acts passed in the inter-war period that paved the way, after which, thirdly, we consider the Beveridge Report in the making. Finally, we come to the Beveridge Report, and the White Paper on Social Security.

Amanar Akhabbar **"From Input-Output Analysis to Activity Analysis: Dantzig, Koopmans, Leontief and early linear programming 1945-1951"**

Free competitive markets: it haunted the dark corridors of War Production Units, Military Planning Agencies etc. Early years of activity analysis were far from ethereal pure economics concepts and were embedded in "dirty" empirical issues and data tables like input-output analysis. This article shows how activity analysis was an outgrowth of input-output analysis. Our work is based on a detailed analysis of unknown and unpublished archives of Leontief, Koopmans and Friedman. We show that, while Leontief and Koopmans were very close, the former despised sophisticated mathematical models where concepts could not bring direct observations. Leontief saw no improvement in Koopmans's production analysis and was ironical in regard to Koopmans' recurrent care about "mathematically enlightened" economists. In contrast to Koopmans' story about the early development of activity analysis, Leontief and George Dantzig, as well as institutions like the Bureau of Labor Statistics, the Office of Strategic Services and the U.S. Air Force, were not secondary characters but at the heart of the plot we recount.

Ana Maria Bianchi **"Albert Hirschman and his controversial research report"**

WB development projects scattered throughout the poor areas of the world. The document where he reports his visit was the matter of much controversy between the IBRD staff and Hirschman. One of the major points of disagreement was the latter´s refusal to employ the technique of cost-benefit analysis, then very popular at the WB, as a measure of the success of a given project. Hirschman claimed that a one-dimensional scale was unable to grasp the various indirect effects of a project, which, he argued, were so varied as to escape detection by one or even several criteria uniformly applied to all projects. He illustrated this proposition with many concrete examples extracted from the projects that he was able to visit. The paper claims that the strong negative reaction that Hirschman found among the WB economists was a crucial factor in his decision to leave the strict realm of economics and to embrace the broader social sciences themes of his subsequent writings.

Disc: Teresa Rangil

2:45-4PM <u>Parallel Sessions β</u>

β 1] Presidential Session: Cold War Histories

Cold War Modeling Strategies

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In 1962, the Assistant Secretary of the Air Force for Research and Development described what had become standard procedure for applied mathematicians during the Cold War: construct a model as the philosophical structure for tackling the problem and frame the solution as an algorithm for numerical approximation to ensure that the military got a concrete rule of action in a timely fashion. In the first two decades of the Cold War, however, the promise of electronic digital computers failed to deliver on substantively rational solutions to mathematical programming models. Both the optimizing model and the solution algorithm had to be tweaked to deal with scarce computational resources. Examples, all done through the patronage of the US Air Force and Navy, include George Dantzig's and Marshall Wood's triangular model, Bill Cooper's and Abraham Charnes solution to linear programming degeneracy problems, Herbert Simon's and Franco Modigliani's quadratic loss function, and John Muth's equating of expected prices with equilibrium prices. Control engineering and economic theory took a modeling turn around 1960. In the course of designing computational resource-minimizing mathematical models and algorithmic solutions for optimal trajectory problems, control engineers began to generalize modeling strategies and develop a theory of mathematical models. Economists, including Simon and Muth, also stepped back from the physical phenomenon being modeled to analyze the procedural rationality of the model maker. The lens of modeling strategies enables us to closely examine key developments in mathematical economics from the Berlin Airlift to the space race.

Whence Rationality? Models and Decisions in Postwar Psychology,

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Following the Second World War, new formal models of decision-making – especially game theory, decision theory, and optimization theory – seemed to hold out the possibility of reducing rationality (in a few particularly useful situations) to calculation. Aspirations for a broader theory of rational decision-making proved fleeting, however, as multi-player game theory fractured into a number of competing solution concepts, and results like Arrow's impossibility theorem called into question the possibility of satisfactorily connecting individual and collective preferences. Not coincidentally, it was precisely at this time at theories of rational choice found a foothold in psychology. To understand this phenomenon, my essay looks at the circulation of game theory within social psychology in the late 1940s and 1950s, focusing on how it interacted with existing research programs in the field. Throughout, it categorizes these appropriations of rational choice mathematics by their answers to the question: just where does rationality come from, anyway?

Living in a MAD World: Cold War Ontological Insecurity and the Prisoner's Dilemma

Sonja M. Amadae, amadae.1@polisci.osu.edu

I argue that non-cooperative game theory gained an important boost in credibility through its 1960s incarnation as Rational Deterrence Theory. Equivalent to Rational Decision Theory and rational choice theory, this new corpus of formal mathematics helped to guide US nuclear policy from the 1960s onward. Thomas Schelling's Strategy of Conflict (1960) relies on the Prisoner's dilemma to support Mutually Assured Destruction (MAD). I suggest that the intense Cold War nuclear security dilemma gave prominence to the Prisoner¹s dilemma as the toughest case for establishing cooperation. Since, economists, political scientists and evolutionary game theorists have continued to hold this intransigent worst-case scenario rests at the heart of civil society and the social contract. Even Richard Dawkins¹ Selfish Gene (1976) rests on non-cooperative game theory and the Prisoner¹s dilemma to argue for humankind¹s inherent selfishness.

Discussant: David Kaiser

β 2] Hayek

Guillermo Cavazos, **Philosophical Argumentation as an Alternative to Mathematical Modeling: Hayek and the Idea of Spontaneous Order.**

Neoclassical economic theory demonstrates formally the conditions under which the competitive economy (i. e. free market) can achieve economic efficiency. With the advent and triumph of formalistic revolution, mathematical modeling became "the method" of economics in order to demonstrate the social desirability of a competitive economy. In this Paper is showed that Friedrich von Hayek used different arguments in favor of free market, because instead of seeking to demonstrate the efficiency of competitive economy through mathematical modeling, He used a solid philosophical argument supported by the idea of spontaneous order. For Hayek, free action of individuals interested only in their own benefit and not in the creation and regulation of an orderly society leads to: 1) the emergence of an organized social system, 2) self-organized and self-regulated, and 3) reaching a comprehensive development. Examples of these social systems are: language, law, and free market prices system. The most important feature of these social systems is the "knowledge economy" in which they operate, that is, how little individuals need to know about other individuals so that these systems can function properly.

James Wible, **C. S. Peirce and F. A. Hayek on the Abstract Nature of Sensation and Cognition**

When exploring ideas on philosophy of science and economic methodology, one of the most unusual articles that one can encounter is Hayek's well-known piece, "The Primacy of the Abstract." Without getting into the details of his position, Hayek maintains that all sensation is preceded by mental operations of abstraction. His view was in sharp contrast with the prevailing empiricist outlooks of his time. In his paper, Hayek was conveying his sharp disagreement with prevailing empiricist conceptions of how science was understood and how abstract ideas were created. As it turns out, another intellect came to a similar position on cognition and sensation somewhat before Hayek. The purpose here is not to identify a precursor, but rather to acknowledge both the similarities and the differences in their views. The other figure is the American scientist, mathematician, and philosopher Charles Sanders Peirce. From a couple of references, it appears that Hayek must have read Peirce's Collected Papers. Like Hayek, Peirce viewed sensation and perception as being influenced by more general conceptions not given in sensation. Peirce appeals to mathematics and logic in developing his views more so than does Hayek.

Regis Servant, **What is cultural evolution in the work of Friedrich Hayek?**

The goal of my paper is to understand which reality Hayek describes by the expression " evolution of culture". Such a comprehension is necessary because Hayek considers cultural evolution as essential to the progress of humanity. But in order to appreciate the relevance or not of this last proposition, it is necessary, of course, to understand correctly the meaning of the terms which constitute it. However, I think that, among the various researchers who have commented on the work of Hayek, many misread him on this point: According to these criticisms, Hayek describes as cultural evolution any change, any transformation, of cultural practices in one or more human groups, whatever the context in which it is achieved. Thus, according to this interpretation, everything that happens in the cultural history of human beings, under any conditions , belongs to what Hayek calls "evolution". And since the Austrian thinker underlines the virtues of this evolution, he should consequently declare efficient – and thus accept – all its outcomes, even when they are not liberal. I think that this interpretation is false, because the concept of cultural evolution that Hayek exposes in his work describes a much more restricted reality: A modification of cultural practices is an evolution in Hayek's sense only if (1) it emerges under certain conditions and that (2) its content, i.e. its operating process, conforms to these conditions . These conditions are summarized in the concept of freedom , which Hayek defines as absence of coercion . Thus, when the Austrian thinker considers cultural evolution necessary to the progress of humanity, the reader must understand that this evolution is conditioned by liberal rules.

Disc: Pete Boettke, Jose Gramajo

β 3] Methodology

Larry Boland **"Choosing model building methods"**

Macroeconomic model builders always face a choice of how to go about building models yet far too many North American model builders are unaware of the options. There are many reasons for the lack of awareness but they fall into three categories: historical, sociological and methodological. Few graduate students are given any training in how to go about choosing a modeling method. Instead, they are encouraged to follow their teachers' examples of demonstrated successful modeling. Most graduate students are unaware of historical debates about the best or appropriate model building methods. The primary sociological reason is that beginning professors worry about their careers. The modeling method chosen will be one that leads to tenure or promotions. And the usual criterion employed for such promotion and tenure decisions is the quantity of publications. So, clearly it would be sensible to choose the method that will maximize the number of published papers. Methodological critics point to the issue of the unrealism of the models created – in particular, the easiest models to build are ones that disregard the unrealism of the assumptions. Critics of the methods practiced in North American say that convenience is put before the time-consuming problem of building realistic models.

Jose Pelaez, "A proposal for a theory of price formation"

Cecilia Miller, **"Theories and Models"**

This is the first stage of a research project on how theories and models are designed and regarded across the university curriculum—in Humanities, Social Sciences and natural sciences. The specific subjects addressed will be Physics, Economics and Philosophy.

Disc: David Levy

β 4] Production and the Physical World

Michael Perelman, **How Transactions Displaced Production**

This paper explains how and why economics emphasized voluntary transactions rather than relations of production beginning with Smith's dishonest and deceptive presentation of the pin factory . It describes how economists as distinguished as Jevons were attacked for trespassing into the area of production.

Christian Gehrke, **"Fixed capital in Ricardo's theory of rent"**

Few economic theorists, apart from Marx, have found much merit in Richard Jones's 1831 critique of Ricardo's theory of rent. While Jones is widely credited with having drawn attention to the existence of pre-capitalistic forms of rent, his critique of Ricardo's analysis of "farmers' rent" (which is Jones's term for rent which obtains with capitalistic production in competitive conditions), is generally viewed as ill-founded. The present paper intends to show that Jones's treatise on rent does contain (in spite of several misconceptions and elementary blunders) an important analytical achievement: Jones noted that Ricardo's bipartite distinction of agricultural improvements into the two types of "land saving" and "capital (alias labour) saving" improvements is seriously incomplete, because it cannot properly accommodate the (historically important) case of agricultural improvements which involve the use of fixed capital. More generally, it is suggested that Jones was correct in pointing out that Ricardo had not properly taken into account non-wage capital, and in particular fixed capital, in his analysis of rent and agricultural improvements.

Nancy Bertaux, **The Stationary State vs. the Sustainable Economy: Smith, Ricardo, Mill and Daley**

This essay will use the discussion of the stationary state by classical economists (Smith, Ricardo, and J.S. Mill) to inform and assess the position of Herman Daley and other ecological economists that growth for its own sake is misguided and ultimately dangerous for the economy. The essay will argue that these economists all have important contributions to make in our understanding of the current economic malaise, and will also address implications for public policy.

Disc: Harald Hagemann

β 5] Commercial Controversies in Jacksonian America

William S. Belko, University of West Florida wbelko@uwf.edu,
Unifying the Anti-Tariff Men: The Philadelphia Free Trade Convention of 1831

As a result of the Tariffs of 1824 and 1828, a powerful aversion to the protective system had arisen throughout the United States by the middle of President Jackson's first term. In order to counter the specter of the recent tariff legislation, communities across the country in the summer of 1831 elected delegates to a national convention of anti-tariff, free trade men, which convened in Philadelphia later that fall. Some of the more recognized men steeped in political economy and some of the more recognized statesmen of the day attended the national event – Albert Gallatin, Philip Pendleton Barbour, John M. Berrien, Langdon Cheves, Thomas Roderick Dew, William Harper, William Lee, Condy Raguet, Theodore Sedgwick, Thomas Walker Gilmer, to name only a few. The delegates also brought with them disparate, often conflicting voices, and they represented various strands of anti-tariff, free trade thought and positions. Despite great odds, the delegates succeeded in attaining harmony and unity, and thus they adopted a comprehensive and unified approach to end the protective system and establish free trade as the general economic policy of the United States. The Philadelphia Convention produced several public documents, which, when combined, became the textbook for free traders of the day, and which helped spearhead the anti-tariff position in the halls of congress, just as the nullification crisis heated up. The ensuing political battles resulting in the Tariffs of 1832, 1833, 1842, and 1846 reflected the unification of the anti-tariff, free trade impulse as reached at the 1831 Convention, and which ultimately prevailed during the presidency of James Polk and lasted until the Civil War.

Stephen Meardon, Bowdoin College smeardon@bowdoin.edu, **Negotiating Free Trade in Theory and Fact: the Doctrine and Diplomacy of Condy Raguet**

Condy Raguet (1784-1842) was the first Chargé d'Affaires from the United States to Brazil and a conspicuous author in political economy from the 1820s to the early 1840s. He contributed to the era's free-trade doctrine as editor of influential periodicals, most notably The Banner of the Constitution. Before leading the free-trade cause, however, he was poised to negotiate a reciprocity treaty between the United

States and Brazil, acting under the authority of Secretary of State and protectionist apostle Henry Clay. Raguet's career and ideas provide a window into the uncertain relationship of reciprocity to the cause of free trade.

Jessica Lepler University of New Hampshire Jessica.Lepler@unh.edu,

Economic Thought and the Panic-less Panic of 1837

"In one word, excitement, anxiety, terror, panic, pervades all classes and ranks," a correspondent from New Orleans wrote to a northern newspaper in April 1837. In the midst of the acute uncertainty of a financial crisis, this writer was not alone in struggling for words to describe his experience. Within a month, however, one word came to dominate descriptions of the economic disaster: panic. This paper argues that once the crisis in the spring of 1837 became known as a panic, it did something truly remarkable: it began to disappear from both the history of 1837 and from theoretical models of the economy. This paper traces how changing economic epistemology of the nineteenth and twentieth centuries redefined the terms, first qualitative and then quantitative, that structured the study of financial crises. Usefulness rather than historical reality constructed the story of the panic-less Panic of 1837 and continues to color our understanding of financial crises. The definition and redefinition of "The Subprime Mortgage Crisis," "The Panic of 2008," and "The Great Recession" suggest that the current cultural process of constructing an economic disaster might benefit from knowledge of historical precedents. In order to make sense of our own hard times, we need to reconsider nearly two centuries of historiography that have labeled periods of panic as insignificant events easily overlooked theoretically and easily dismissed historically. We need to restore the panic to the history of the Panic of 1837.

Disc: Meardon, Lepler

4:15-6 Closed showing of *Inside Job*

Followed by discussion led by Tiago Mata

6:30-9 Opening Reception

Saturday June 18

8:30-10AM Parallel Sessions γ

γ 1] Crisis considerations

Daniele Besomi, **"NAMING CRISES. A NOTE ON SEMANTICS AND CHRONOLOGY"**

This paper examines the main terms used to indicate crises, cycles and related phenomena since the early 18th century. Of each term are examined the etymology, the definitions and the (sometimes drastic) evolution of their usage in time, both in the general literature and in economic dictionaries. The terms are: Glut, Distress, Embarrassment, Stagnation, Panic, Bubble, Depression, Fluctuations, Recession, Crisis and Cycle. The latter two are those most widely used, and are thus discussed in more detail.

David Levy **Prudence with Biased Experts: Ratings Agencies & Regulators**

Why were the rating agencies trusted? When they became required for Federal deposit insurance their incentives for upward bias was common knowledge. The requirement was attacked by a Chicago economist, Melcilor Palyi, on philosophical grounds (the expertise is excessively secret) and technical (Moody's forecasts were inaccurate). The Federal government financed a massive study of bond ratings which developed a technical response to remove the bias. The study required a trade with the rating agencies so the authors wrote prudently to avoid offending the agencies. They disguised the meaning of their procedures and did not discuss the full dimensions of Palyi's challenge. When the technical methods failed, the loss of memory did not allow us to recover Palyi's warning about non-transparency.

Neil Skaggs **"Looking for Keys Under Lamposts"**

The Great Recession of 2008-09 was, and in 2011, continues to be, an economic disaster. Conventional Keynesian and monetarist policies have to some extent lessened the pain of the inflicted on the economy, but neither have produced the results that had come to be expected during "normal" recessions. Have macro-monetary economists been guilty of one-size-fits-all? Are new theories needed? Or, perhaps, have extant relevant theories been ignored?

Disc: Perry Mehrling

γ 2] Econophysics and the Treatment of Finance

Christopher Schinckus, **"The History of Econophysics' Emergence"**

Financial economics was born in the 1960s. It took less than two decades for the new discipline's dominant paradigm and main theoretical results (efficient market theory, option pricing model, CAPM, and modern portfolio theory) to become established. Less than thirty years later, a new field of research called "econophysics" was created. This field studies financial markets by using various models and concepts imported from condensed matter and statistical physics. Econophysics, which represents itself as a new paradigm, aims to reinvent financial theory. Using hypotheses and mathematical models that financial economists rejected when their discipline was taking shape in the 1960s, econophysicists are achieving better simulations of stock-market variations and thus providing more accurate forecasts than those obtained from most models used in financial economics.

This situation poses a considerable challenge to financial economics, which established itself in the 1960s and 1970s because it claimed, among other things, to provide better forecasts than rival theories at the time. In addition, the mathematical formalisms used by econophysicists today offer a more general framework than those currently used in financial economics. These two advantages of econophysics raise the question of whether, and to what extent, it could become the next paradigm of modern financial theory. In this article, we define more precisely what we call "econophysics" in the first part of this paper and we show, in the second section, that the emergence of this new field is not without connections with the history of financial economics. While the third part presents the reasons of the emergence of econophysics in the 1990s, the fourth section is dedicated to the institutionalization of this field. Finally, we conclude the paper by presenting the response of the mainstream to the development of econophysics. In this perspective, we show how this new approach could challenge traditional financial economics.

James Ahiakpor, **"On Harrod's Unhelpful Suggested Diagram to Keynes on the Classical Theory of Interest"**

John Maynard Keynes sought Roy Harrod's opinion on the validity of the classical theory of interest, particularly as discussed in Alfred Marshall's *Principles of Economics*. As Harrod (1951, 453) explains, he did not fault the classical theory as being "a nonsense theory" as Keynes had argued but rather "supplied [Keynes] a diagram purporting to reconcile the classical theory with [Keynes's] theory, and he incorporated this in the [*General Theory*]—the only diagram in it." O'Donnell (1999) and Besomi (2000) have clarified that Harrod only suggested how Keynes could draw such a diagram. What has not been much discussed is the fact that Harrod's suggestion contains an analytical error of his own, besides his failure to recognize Keynes's confusion of the term "capital" in the classical theory with capital goods. Harrod's error appears to have been prompted by his belief that the classical theory is "invalid" or "incomplete" because it fails to take into account a changing level of income through the operation of the multiplier process. His suggested remedy thus was to have Keynes draw a series of savings-supply curves instead of only one in order to recognize the determination of an equilibrium interest rate following a change in investment demand. De Boyer (2010) misses recognizing Harrod's error and rather judges Keynes's criticism of the classical theory to valid. My paper explains the unhelpfulness of Harrod's suggested diagram.

Masazumi Wakatabe, **'Is there any cultural difference in economics?: Keynesianism and Monetarism in Japan'**

The paper will discuss the place of Keynesianism and Monetarism in the context of the Japanese economic community. It will test the hypothesis that there are cultural differences in the development and reception of economics across countries. In Japan, Keynesianism has been dominant throughout the post-WWII era, while Monetarism did not penetrate into the mainstream academia and media discourse, even though Japan suppressed the Great Inflation of the 1970s rather successfully with the use of contractionary monetary policy. This is further supported by discussions on the place of Milton Friedman in Japan: he was as much recognized as vilified in the academia and media, and his major work, such as *A Monetary History*, had not been translated. The strong presence of Marxism until the 1970s exerted a significant influence on the reception of Keynesian economics. When Friedman became popular after the 1980s, it was because of his advocacy for free-market, not because of his macroeconomics. The academic network in Japan which was heavily embedded in the East-coast Ivy league graduate schools also played a role.

Disc: Brad Bateman

γ 3] Poverty and Labor

Judith Favereau The **Fight against Poverty as a "Clinical Trial". Reflections on Esther Duflo's Approach**

Esther Duflo's approach has changed development economics and its methods. It draws its originality from its similarity to the methodology of a medical clinical trial, by trying to "assess" the efficacy of a program of development as one assesses the efficacy of a medication or medical practice: through the simulation of a "control group" and a "treatment group." The aim of this method is to better inform policy decisions with "scientific evidence." This methodology is supposed to be "neutral" and "impartial" in the same way as the methodologies used in clinical trials.

This article is intended to investigate two main epistemological questions: one concerning economic development experiments and their evaluation and the other concerning the expectation of neutrality through these methods.

This article is constructed in two parts. The first part introduces Esther Duflo's methodology by comparing it with a medical clinical trial. The second part analyzes this link from an epistemological and philosophical point of view. The analysis is supported by Georges Canguillhem's works on medicine and its practices and will show that neutrality cannot be expected with such an approach.

Malcolm Rutherford, **Field, Undercover, and Participant Observers in US Labor Economics: 1900-1930**

This paper will examine the various observational methods utilized in the area of labor economics in the United States from the early 1900s through to the 1930s. Labor relations, at that time, was an area of critical practical importance as well as an area in which existing economic theory provided little guidance. Labor economists had, of necessity, to become observers of working conditions and workplace practices.

Three examples will be examined in detail. The first is the work of John Fitch on The Steel Workers (1910), done as a part of the Pittsburgh Survey. Fitch's book on the steel workers included his own observations of steel mills, interviews with steel workers, and photographs and drawings by Lewis Hine and Joseph Stella. The investigational methods also included the collection of documents such as trade union constitutions, congressional testimony, written statements, and the collection of statistics. The second example is the work conducted under the supervision of Carleton Parker for the California Commission on Immigration in the aftermath of the Hopfield Riot. Parker employed F. C. Mills and Paul Brissenden to go on the road and work undercover to investigate conditions in labor camps, attitudes towards the IWW, and the lives of itinerant labor. Part of this work involved the reporting of factual material, but part involved an investigation of the attitudes of those involved gained though informal conversations and interviews. The last example concerns the work of Stanley Mathewson, a student of William Leiserson's, published as Restriction of Output Among Unorganized Workers (1931). Mathewson's study was an early example of the use of covert participant observational methods in the area of industrial sociology, and was widely influential.

How this varied observational material was brought into the more theoretical interpretations of the labor movement and trade unionism by Commons, Parker, and others will also be discussed, as will the strengths and weaknesses of the methods employed.

Disc: Jeff Biddle, Jose Edwards

γ 4] Marx and Tugan Baranovsky, Russia and Britain

Asheesh Siddique, **Reading Marx in 19th century Britain" Reading Marx in 19th Century Britain: Political Economy, Textual Reception, and the Non-Transfer of Ideas**

This paper traces the bibliographic and reception history of the publications of Karl Marx and Friedrich Engels in late nineteenth century Britain. Drawing upon new archival material, the paper reveals the networks of the printing and readership of Marx and Engels' work in their adopted British homeland in this period in more complete detail than any previous discussion of the subject. It proposes a new way of writing the history of Marxist economics by integrating intellectual history, political history, and the history of the book, and provides a revised explanation for the failure of Marxist political economy to attract audiences in Victorian Britain. At every point in this period, Marx and Engels proved unable to articulate their visions of political economy using language that was acceptable and intelligible to the vast majority of British working-class and middle-class audiences alike. This failure contributed to the pair's social isolation and lack of publication in Britain, restricting Marxism's appeal only to those who inhabited the margin of political discourse. Instead, the mainstream of the British labor movement articulated a reformist vision of political economy based upon national and other English-language literature more closely resonant with domestic political experiences.

Anna Klimina, **Concept of Deliberate Market Construction in the Context of three 20th-century Russias**

This paper defines deliberate market construction as a process based on the belief that disadvantageous initial conditions for a natural emergence of a premeditated market order (in all its varieties) can be overcome through new institutional arrangements, initiated and fostered by the highest political authority. Such pro-market interventionism is most necessary in cases of historical backwardness or an established dominance of collectivist strategies favouring either partial nationalization of industry and investment planning, or complete administrative-command socialism. The proposed paper argues that since all of the above conditions were present in Russia in the 20 th century, it is worthwhile tracing the emergence and development of ideas concerning purposive market construction, first, in pre-1917 Russian economic literature, when the country started to move from backwardness to modernity, and, then, in economic publications from the 1980s to 2000s when Russia progressed from command allocation through mixed economy perestroika to market allocation. This paper thus examines Peter Struve's (1870-1944) theory of legal, or constitutional liberalism, which argues that a supreme political power (in Imperial Russia, a well-ordered constitutional monarchy) is required to guarantee the institution and subsequent nurturance of a competitive liberal order. The next major theory is Michail Tugan-Baranovsky's (1865-1919) alternative constructivist project, in which Tugan envisions the state as a social reformer and conscious creator of a reasonable market, organized along more equitable and progressive lines, primarily through ownership empowerment. The paper surveys the role of Russian market-supporting scholars in both influencing pro-market public discourse during 1980s perestroika and setting the stage for subsequent discussions in Russian economic literature of the 2000s, on the economic role of the state in conscious creation of market order. In particular, this paper contrasts primary perspectives on market construction that exist in modern Russian economic literature, constructivist neoliberalism and institutionalism, both of which criticize the narrow libertarianist framework of the Washington Consensus policies of the 1990s and advocate instead either (1) dirigiste strategies of constructivist neoliberalism (in its Mont Pelerin Society/Ordoliberalism sense), presented in Russian literature as broad policies of "post-Washington Consensus," and "statist national-economic approach" or (2) a programme of traditional institutionalism, built on Commons's vision of workable capitalism and Galbraith's vision of the good society. It is stated that the present project of constructivist neoliberalism, which is entirely consistent with emerging Russia's system of elitist authoritarianism and neoliberal nationalism, remains the most prevalent viewpoint in current theoretical discourse.

Disc: John Davis

10:30-11:30 HES Distinguished Speaker Plenary

John Cassidy (*New Yorker*) How Markets Fail: The Case of the Economics Profession

1PM-3PM <u>Parallel Sessions δ</u>

δ 1] Modern Banking Theory

Arie Krampf, **"Modern Central Banking in the light of the Financial Crisis and in Historical Perspective"**

The concept of *central bank independence* (CBI) is central to prevailing theory of central banking. In the 1990s the concept became salient in central banking theory (see e.g., Cukierman 1992). CBI was justified on the basis of the theory of rational expectations (Barro 1976; Barro and Gordon 1983; 1984). In my lecture I focus on the way the Bank of England defined and shaped the concept of CBI during the interwar period. The common narrative, based on economic historians (e.g., Eichengreen 1996) is that the history of CBI can be represented as a U-shaped curve: central banks were independent during the gold standard, weak during the interwar and again independent in the neoliberal period. In my paper I argue that the meaning CBI during the gold standard was different from its meaning in the neoliberal ear. The concept of CBI, in its current meaning, emerged in the interwar period. It was defined in the framework of the Bank of England's endeavor to revive the gold standard. The Bank of England, in collaboration of the *Federal Reserve System*, the *League of Nations* and the *Bank of International Settlements*, opted to standardize the legal positions of central banks, their objects and their instruments in order to globalize central banking practices. It was in this period that the modern theory of central banking was *formulated explicitly*. The analysis shows that while in the gold standard the autonomy of central banks was based on their legal status as privately owned shareholder companies, in the interwar period their institutional position was defined as government owned, but autonomous institution. This model was realized only in the neo-liberal era. The research is based on the examination of records from the Bank of England from the 1920s and the 1930s.

Frederic Lebaron, **"How the financial crisis affected the doctrines of the ECB"**

In this paper, I analyse the continuities and changes in the ECB's official discourses, mainly during the 2007-2008 sequence of the financial crisis, on the basis of both statistical textual analyses ("lexicometrics") and qualitative socio-linguistical interpretations. Central banker's discourses are dependent on doctrinal components, specific business cycles analyses and above all they are closely connected to various socio-political conditions The discourse of the ECB is strongly embedded in a solid doctrinal framework and in constraining guidelines, which allow it to interpret the general economic reality and its particular developments: the (constitutional) focus on price stability, the "two pillars" (monetary and economic) doctrine providing an assessment of current economic conditions, the general commitment to a strong financial and budgetary stability of the economy.

Nevertheless, some changes can be noted in 2007-2008, which have permitted the leaders of the bank to preserve the core of its doctrine, while making a shift toward more "heterodox" or at least "non-conventional" decisions, especially with the so-called "Term auction facilities operations" but also in relation to the global shift towards fiscal stimulation. This subtle move has, at the same time, brought about disagreements and disputes at its top bodies (especially the governing council), especially between the German members and the other members, which have been visible in 2010.

Perry Mehrling, **"Central Banking after Modern Financial Crisis"**

Elsewhere I have argued that the neo-Wicksellianism of Woodford and others can be understood as a response to the challenge of modern finance posed by Fischer Black and others. Now however global financial crisis poses its own challenge, not only to modern finance but also to the inflation-targeting response of macroeconomists. The crisis response of practical central bankers, especially the Fed, opens new intellectual ground for the development of monetary thought, even as it reconnects monetary theory to its historical origins in the work of Thornton, Bagehot, Hawtrey, and others."

Disc: Muriel Dupont-Lagrande

δ 2] Book roundtable: Malcolm Rutherford's *Institutionalist Movement in American Economics*

Brad Bateman, Ross Emmett, Tim Leonard, Jeff Biddle

δ 3] International Trade Theory

Steve Meardon, **On the Evolution of U.S. Trade Agreements: Evidence from Taussig's Tariff Commission**

The first chairman of the U.S. Tariff Commission, Frank W. Taussig, expected the new body to put an end to "haphazard" and "irresponsible" management of trade policy. Reforming trade agreements was a top priority. Acting on the Commission's weighty report, *Reciprocity and Commercial Treaties* (1919), the State Department initiated in 1922 a trade-agreements policy centered on the unconditional form of the most-favored-nation (MFN) principle. But after observing the program for a decade, Taussig urged that "the whole present policy should be scrapped." This essay examines the evolution of U.S. trade agreements from 1919 to 1932 and the reasons for Taussig's disaffection.

Andrea Maneschi, **"Division of trade gains and role of absolute advantage in David Ricardo's theory of trade"**

This paper aims to throw new light on David Ricardo's celebrated example of trade between England and Portugal in chapter 7 of his Principles of Political Economy and Taxation by estimating the division of the gains from trade between these countries, and showing that while the principle of comparative advantage determines the direction of this trade, absolute advantage retains an important role in determining their after-trade standards of living. If labor productivity is independent of output, Ricardo's numerical example provides enough information to measure the divergence between the two countries' autarky price ratios and the commodity terms of trade, and hence to calculate the share of trade gains accruing to each country.The 'factorial terms of trade' between England and Portugal, defined as their relative per worker incomes, depend on their absolute advantage in producing both traded commodities and on the commodity terms of trade. The functional relationship between the factorial terms of trade and the commodity terms of trade shows that the after-trade income of Portuguese workers exceeds that of English workers by one quarter.

Paul Oslington, **"Trade in a Messy World: Three Studies in Jacob Viner's International Economics"**

This paper explores Jacob Viner's approach to international economics through three topics:

1) His advocacy of a real cost theory of value through the 1930s, against Haberler, Ohlin and others (for instance in Viner 1937).
2) His work on the burden of a tariff (Viner 1936 and 1938).
3) His contribution to the theory of customs unions (Viner 1950).

In each case it can be argued his work has been either misunderstood by subsequent interpreters, or unjustly overlooked. For each of the three topics I will consider the context, what Viner wrote and why, how he has been interpreted by subsequent international economists working on the topic, and what was Viner's influence. I will also consider also what general conclusions can be drawn about Viner's approach to international economics in relation to his work on intellectual history, and suggest that poor history often assists theoretical advances in economics.

Disc: Farhad Rassekh, Stephan Meardon

δ 4] Behavioral Economics and the psyche of the consumer

Viviana Di Giovinazzo **Consumer preferences and individual satisfaction. Tibor Scitovsky On the role of the arts in society**

Research by Tibor Scitovsky In the fields of aesthetic and informational psychology traces a line of development for preferences which distances from the standard economic theory of consumer behavior. This Paper explores first of all the role Scitovsky Attributes to arts and culture in the formation of preferences, clarifies its endogenous nature and at the same time proposes measurement criteria. It Then goes on to analyze the role liberal and performing arts play in personal growth and social development.

Noel Thompson **Conceptualising the consumer: British social democratic political economy in the golden age of capitalism**

The article considers the conceptualisation of the consumer by British social democratic writers in the `golden age' of post-war capitalism. It examines in particular their discussion of the neoclassical concepts of rationality and sovereignty and highlights the diversity and complexity of their positions in relation to these. It illustrates how these carried within them a particular view of individuals: their capacity for rational choice, their autonomy and their motivations, which informed in important and profound ways how different writers, and different groups of writers, viewed the nature and means of realising the social democratic project in an age of affluence.

Disc: Ana Maria Bianchi

3:30-5PM Parallel Sessions ε

ε 1] Book Roundtable, Robert Leonard's *Von Neumann, Morgenstern and the Creation of Game Theory*, organized by John Davis

Nicola Giocoli, Philip Mirowski, Paul Erickson, Peter Boettke, Judy Klein

ε 2] Production of Economic Knowledge outside Academia

Teresa Rangil **The "Politics of Neutrality": UNESCO's Social Science Department, 1946-1957**

The production of knowledge in non-academic places (NGOs, think-tanks, international organizations or government agencies) is interesting for historians since in these organizations the norms and values traditionally associated with academic work (and notably commitment to scientific objectivity and axiological neutrality) do not always apply. The aim of this paper is to question the nature of knowledge produced from 1946 to 1957 in the Social Sciences Department at UNESCO, Paris. Our main argument is that the members of the Department were mostly concerned with the task of producing knowledge which could be presented to UNESCO's clients (scholars, social workers, national communities) and within UNESCO as being "neutral". In that context, "neutral" knowledge was defined as knowledge that 1) did not offend the sensibilities of national communities linked to UNESCO (whether scientists, social workers or politicians), and 2) in the production of which scientists from many nationalities were involved. We conclude that in this Department the success and failure of, first, US psycho-cultural studies (1946-50) and, later, non-Anglo-Saxon social science and notably French anthropology (1950-57) as frameworks accounting for conflicts were intimately linked to their capacity to be presented as "neutral" to the international community.

Carol Connell **The Bellagio Group: Fritz Machlup's External Organization for Examination, Knowledge Sharing and Reform of the World Monetary System**

The story of the Bellagio Group's contribution to knowledge and interpretation of the problems facing the world monetary system from the late 1950s through the 1960s has remained largely untold. This paper probes the identity and background of the "team of rivals," the so-called nongovernmental, academic economists, drawn from eleven countries, many of them chosen because they were well-known advocates for divergent, often feuding, schools of thought on the problems and solutions to problems facing the international monetary system in the 1960s and most of whom had had significant public policy experience before entering academia. How did the Bellagio Group turn the tide of policy-maker and central banker opinion toward exchange rates as an instrument to correct balance of payments problems, as contemporaries suggested? My research finds the answer in how Fritz Machlup framed the problem of world monetary system reform, his creation of an external organization to examine the problem, knowledge sharing through a broad platform of joint conferences, papers, books and popular media, and his development of a close working relationship with the deputies of the Group of Ten.

Evelyn Forget **Government offices and the production of economic knowledge: a case study of the US Office of Economic Opportunity, 1964 – 1968**

Economic knowledge produced by a government office is, by definition, produced by a group of people, each one of whom subordinates his or her own vision of the economy to that of the collective. The collective is itself subject to the political will of its overseers. **]**

The Office of Economic Opportunity was established, under the leadership of Sargent Shriver, to fight President Johnson's War on Poverty as part of the Great Society program. Between 1964 and 1968, two intellectual communities vied for supremacy within that office. In the early years, a group of intellectual radicals drew inspiration from social psychology and gave their support to the controversial Community Action Programs that drew criticism from the Senate, Congress, local governments and Democratic Party insiders. Over time, a second community built upon the values and insights associated with the Office of Research, Plans, Programs and Evaluation which brought the evaluation perspective of RAND to government spending, and gradually began to dominate. This essay examines the internal and external pressures of the period and uses the insights of Randall Collins, Michael Farrell and Morrell and Geison to explain why one intellectual community flourished while the other declined

Disc: Matthias Klaes

ε 3] Adam Smith, Desire and the Long Run

Hiroyuki Furuya, **Adam Smith and Stoic Philosophy: From Cicero's Cato to an Image of the Merchant-Landowner**

The debate about sociability in eighteenth-century Scotland was written in a language strongly influenced by Stoic philosophy. Smith's distinctive understanding of the Stoics enabled him to proceed to political economy as a new theory of modern sociability in The Wealth of Nations (1776). In due course, Smith owed a lot to Cicero's Cato Major, an Essay on Old Age , in developing his own language of political economy. Cicero described that old age brought us to the pleasure, profit, and beauty of agriculture. Cicero was a way forward for Smith in arguing that merchant-landowners embarking on the improvement of land were the most virtuous as well as productive order of people in increasing the wealth of nations. Smith sought to show how agriculture pursued by retired merchants in their old age achieved both wealth and virtue.These former merchants who turned country gentlemen could combine the most productive industry of agriculture with their virtues required for the improvement of their estates as former successful merchants. Smith's innovative image of the merchant-landowners was the strategy which made way for Smith to destroy Mandeville's paradox that private vices, not virtues, produce wealth, and Smith's language of political economy was its product.

Pierre Lacour, **Adam Smith and Girard's Theory of Desire**

In the first part of Theory of Moral Sentiments (1759)- of the Propriety of action - Smith asserts that sympathy is the gauge by which we judge the actions of our fellow men, and also the mold that shapes ours. Of particular interest for the analysis of economic motivations is that Smith locates in sympathy the origins of ambitions, including the drive to amass wealth.

In this paper, I first investigate Smith's discussion of the drive to amass wealth and argue that this desire is without any tangible object; it is not about acquiring prestige that the rich is bestowed with. I then attempt to demonstrate that this desire imitates the desire of others and therefore is mimetic in essence. If this is so, Smith's sympathy can be read along the lines of the theory of mimetic desire, which René Girard developed in the Violence and the Sacred (1972) and Things Hidden Since the Foundations of the World (1978). I conclude that the drive to amass wealth, if mimetic, cannot be founded in utility maximization.

David Andrews, **The Short History of the Long-Period: Marshall and Sraffa on Smith's 'Natural Price'**

In his Principles of Economics, Marshall claimed it was the " doctrine of Adam Smith" that the "'natural' value of a commodity is that which economic forces tend to bring about in the long run " (Marshall 1890: 347). This interpretation has been widely influential. Garegnani, despite his criticism of Marshall, attributed the same temporal character to the classical economists when he claimed that they followed a "long-period method." Sraffa, on the other hand, wrote: " When A. Smith etc. said 'natural' he did not in the least mean the 'normal' or the 'average' nor the 'long run' value" (n.d.: D3/12/11; cited by Garegnani 2005: 474 and Sinha 2010: 327). This essay argues that the temporal interpretation of Smith's natural price, whether it is construed as the long run, the long-period, or the long-term, is absent from the discussions of natural price in the writings of Smith and Ricardo: it was Marshall's creation. Moreover, the classical economists used 'natural price' in a manner that was consistent with Sraffa's description of "the classical standpoint" as that in which "day after day" output levels do not change.

Disc: Maria Paganelli

ε 4] Institutionalist Economics

Douglas MacKenzie **Comparison and Contrast in the History of Institutional Economics**

Veblen and Hayek are widely seen as evolutionary theorists of institutions. Neoclassical economists either ignore institutions, or limit their analysis of institutions to static and a-historical equilibrium modeling. This paper examines an unnoticed aspect of Veblen/Hayek institutional analysis. Neoclassicals compare the most similar attributes of institutions. Veblen and Hayek contrasted institutions according to their most fundamental differences. In particular, Veblen and Hayek each contrasted finance capitalism with technocracy. The Coasean and Veblen/Hayek research programs should be seen as complementary approaches to institutional analysis.

Neil Niman **THE ALLURE OF ALTERNATE REALITY (AND OTHER) GAMES: Toward an Updated Theory of the Leisure Class**

Thorstein Veblen's most famous work was his Theory of the Leisure Class . Providing an economic/anthropological/sociological look at twentieth century society, Veblen discusses the role that pecuniary emulation plays as the motivator for and the consequence of economic activity. This leads him to focus most of his attention on conspicuous consumption and leisure as visible measures of relative economic success. However, with advances in digital technologies, more and more leisure time is being devoted to the playing of MMO (massively multiplayer online) games. Within these games, status and self-esteem are obtained by earning achievements within the virtual game environment. As such, they become an alternative source for establishing and displaying relative success for the millions who play these games. This naturally raises the question of whether Veblen’s Theory has reached an end point, or whether the rewards derived from playing alternate reality and other games merely introduces a new dimension within Veblen’s conception of the Leisure Class. By exploring the depths of the question from an interdisciplinary perspective, it becomes possible to understand how online gaming can be viewed as an extension and not a replacement of Veblen’s theory. In doing so, we gain new insights into why the playing of games has become an important part of life for many in modern society.

Avi Cohen **Veblen Contra Clark and Fisher: Veblen-Robinson-Harcourt Lineages in Capital Controversies and Beyond**

In the midst of Joan Robinson’s critique of neoclassical capital theory, she remarked “that Thorstein Veblen had made my point, much better than I did, in 1908.” Robinson was referring to Veblen’s attacks on the capital theories of J.B. Clark and Irving Fisher. With little written on these earlier capital controversies, the primary purpose of this paper is to fill in the historical record by providing a detailed, capital-specific examination of Veblen’s attacks and Clark’s and Fisher’s responses. The secondary purpose is to explore the role of ideology/vision/politics in fuelling debate and motivating economic analysis through an examination of the use of narratives to affect political change in Veblen, Joan Robinson and Geoff Harcourt.

Disc: Malcolm Rutherford

5:15-6:15 PM HES Business Meeting

7-9PM dinner (Picnic style outdoors)

Sunday June 19

8:30-10AM <u>Parallel Session ζ</u>

<u>ζ</u> 1] The Meanings of Competition

Nicola Giocoli, **Free from what? British economists and the defense of competition (1880 – 1920)**

The paper aims at answering a simple, though much-neglected, question: why there was no formal antitrust law in late 19th-century/early 20th-century Britain? The absence is surprising, given the high level of economic development and the substantial degree of industrial concentration which affected Britain much like the other industrialized economies of the period. Yet, contrary to what happened in Germany, Austria or the US, and despite the availability of several of the smartest economic minds ever, neither the British government nor the Parliament made any real effort, let alone achievement, towards establishing a legal framework for protecting competition. A few answers have been suggested by the small literature on the topic: they range from the peculiarities of the British industrial system and its degree of openness to international trade to the specific working of the Common Law system. Yet none of them seems convincing, especially in view of what happened in the similar case of the US. This paper offers an alternative (though not all exhaustive) explanation, based on the specific notion of “free market” traditional in British economic theory, namely, the idea that a market is “free” when it is protected from government interference, rather than when it is unhampered by significant concentrations of market power. The paper also shows that the prevalence of the latter view is what on the contrary led the 1890 US Congress to pass the Sherman Act and the early 20th-century US courts to actively enforce it.

Stefano Agnoletto **When Entrepreneurial Theories meet Economic History**.

Ethnic Business Studies is an important topic in Business Management studies due to the wide diffusion of this kind of business both in different geographic areas and in different moments of history. Entrepreneurial Studies provide approaches to this topic based on various cultural or structural explanations. Moreover Ethnic Business Studies represent an interesting boundary object that match sociological, macroeconomic and business approaches. Economic Historians rarely refer to these studies, first of all as consequence of a usual lack of attention paid to the history of small business, and secondly because of a common undervaluation of the possible applications of Business Management Studies in Economic History. In this framework, the paper proposes a focus on the case study of the history of Italian Ethnic Business in Toronto as an example of how cultural and structural factors have been entangled. Toronto ranks as one of the most important Italian cities outside of Italy, as hundreds of thousands of people in this metropolitan area are descendents of Italian immigrants. My intention is to carry out both a theoretical reasoning on the ethnic business studies and a presentation of the case study.

Disc: David Andrews

ζ 2] The Construction of Neoliberalism at Chicago

Craig Freeman **The Chicago Counter-revolution and the Loss of the Classical Liberal Tradition**

Rob van Horn & Eddie Nik-Khah **Inland Empire: Economics Imperialism as an Imperative of Chicago Neoliberalism**

Recently the topic of economics imperialism has caught fire within the field of economic methodology. Although the emerging literature has its merits, we are concerned that economic methodologists do not fully appreciate the nature and aims of economics imperialism. This misunderstanding appears to stem from only relying on secondary sources and interviews and entirely ignoring archival sources. We use unplumbed archival sources to provide a reconsideration of economics imperialism and thereby challenge the prevailing conception of economics imperialism in the current literature—which tends to exclusively focus attention on the relative merits of "methodological individualism" or the "economist's approach." We argue that this conception should be replaced with a historically grounded understanding of economics imperialism, which takes into account considerations that loomed large in the minds of those participating in the enterprise of imperialism.

We focus on a cadre of economists at the University of Chicago, and argue that the imperialistic activities undertaken at Chicago stemmed from the effort to forge a new liberalism or a "neoliberalism." Our argument is based on two examples. The first example is George Stigler's project to study the "governmental control of economic life." The second is Aaron Director's Free Market Study (1946-1952), which analyzed the legal foundations of capitalism.

Ekkehard Kohler, **The Chicago School's impact on the emergence of ordo-liberalism and its relevance to today's Constitutional Political Economy**

James M. Buchanan's latest contribution to the post-crisis debate in political economy underpins the necessity to reexamine the legacy of the "Old-Chicago" School of thought, being urged by Buchanan's recently stressed plea at the 2009 Regional Meeting of theMont Pèlerin Society and at the Summer Institute for the Preservation of the History of Economic Thought in 2010. The focus of the current paper is to follow his plea by exploring the central topoi of the 1930's debate of the ChicagoSchool and discuss its impact on the academic arena on both sides of the Atlantic thereafter. With respect to this impact, we highlight Friedrich A. von Hayek as the focal scholar who transmits these topoi that later influenced the rise of ordo-liberalism in German from the mid-1930's onwards, as youngest archival findings suggest. By revisiting the MPS 1947 first meeting's minutes and papers, we stress the proximity in mind of "Old-Chicago" and ordo-liberals by contributing an explanation for the surprisingly homogeneous direction of these yet unconnected schools of thought.

The second aim of the paper is to re-discuss the intellectual origins of Constitutional Political Economy's research program. Following Viktor Vanberg, we argue that CPE can be interpreted as a modernized perspective on economics that carries forward three strands of transatlantic liberal programs, being precisely "Old-Chicago", Hayek and the ordo-liberals.

Disc: Dan Hammond, John Davis

ζ 3] The Uses of the Internet for History

Robert Dimand, Rod **Hay and the McMaster University Archive of the History of Economic Thought**

The McMaster University Archive of the History of Economic Thought, founded by the late Rod Hay and continued by Robert Dimand assisted by Geoff Black, is an exceptional resource for teaching and research in the history of economics, making a wide range of primary sources conveniently available online, as well as providing links to relevant websites. This paper pays tribute to Rod Hay's achievement and offers historians of economic thought (and economists and intellectual historians more generally) an overview of what is available through the Archive, together with suggestions for using the Archive in teaching.

Matthias Klaes, **Towards and On-line Multimedia Resource for Historians of Economics**

Online collaborative tools allow groups of researchers to share and document insights in a more systematic way than was possible before. At the same time, developments in webbased technology can now enable easy access for researchers to a wide range of audio and video materials. Yet there is little structure to these resources to aid the researcher, and there are potentially many more resources (some privately held) which are not yet available online. Our paper seeks to explore the implications of web-based developments for historians of economics, highlighting a number of the issues this raises, as well as flagging up opportunities for specific initiatives. These issues range from conceptual issues of scholarly communication to logistical issues of structuring web-based resources. This paper reports on the findings of a Nuffield-funded project to pilot a collection of audio resources for research in the history of economics. Our work builds upon the experience of The Spoken Word Project part of the jointly funded Joint Information Systems Committee (JISC) National Science Foundation programme, Digital Libraries in the Classroom. While The Spoken Word was primarily focused on the provision of teaching resources, we explore the online facilitation of audio-visual recordings for scholars working on contemporary and recent history of economics and economic thought. A key aim is to explore scenarios of access historical recordings (such as interviews, documentaries etc), and to share commentary on those sources among the international scholarly community.

In the context of growing debates over the future of 'scholarly communication', and of the need for more immediate sharing of research data amongst scholars, the project will offer a case study of a readily-accessible resource for scholars working on the history of economics. It thereby provides a basis for discussing such questions as the sharing, storing and cataloguing of 'research data' in the for broadcast or other audio materials, and their licensing. For the pilot, we have narrowed the focus of sources to those relating to financial crises over the past 100 years. We will report on the outcome of a broadly based information gathering exercise, resulting from views gathered at conference panels, through questionnaires, and through focus group discussions with relevant stakeholder groups. We will complement the emerging picture with an analysis of key dimensions relevant for any such online resource, and how different scenarios of implementation could look like. We will finally report on the experience of setting up the pilot system and testing its prospective use. Ultimately, our aim is to initiate a discussion and feedback from historians of economics on the most promising next steps towards the realization of a production level 'Recording Economics' resource on the internet. This includes exploration of potential partnerships with research groups in other countries with a view to plan the next steps towards the realization of the resource in an incremental fashion.

Tiago Mata **Speaking in tongues, a text analysis of**

Among American news magazines Newsweek holds the distinction of having hosted some of the most authoritative interpretation of economic events. Its cast of columnists included two of the most acclaimed academic economists and some of the most widely read business journalists of the late twentieth century. The purpose of this paper is to examine their writings as examples of "economic journalism". We used statistical methods to study word co-occurrences and identify vocabulary classes for bodies of texts for 1975-1990 and 1991-2007. We are thus able to distinguish two domains of discourse: political economy and the causal economy. We find traces of changes in economic discourse resulting from the end of the Cold War as well as point out differences in the language of academics and journalists.

Disc: Alan Hutton

ζ 4] Money, Credit and Cycles

Adrian de Leon-Arias, **"Lessons from Myrdal's Monetary Equilibrium"**

How could efficiency of the monetary rules based on interest rates [1] as stabilizing (anti cyclical) policies be improved? Answer to this question is an urgent and relevant task in current analysis of macroeconomic policy due to the developments of the 2007-? financial/banking crisis. In this paper, I will review the analysis which G. Myrdal (1898-1987) developed in his Monetary Equilibrium (1939) to evaluate the efficiency of monetary rules based on interest rates -adopted by the Sveriges Risksbank- as stabilizing policies in prices and national income, beyond short-term scenarios, in Sweden during the 1930´s. The analysis of those monetary rules by Myrdal, as I will present in this research, is very relevant for current literature while this Swedish economist not only reviewed the efficiency of monetary rules as stabilizing policies, he also developed the analysis through a dynamic perspective ; i.e., neither static or in stationary state (as it is common in current literature).

Regarding their results, Myrdal concluded that, first, "equilibrium" interest rate should be defined by the "ex-ante/ex-post" dynamics of saving and investment; and, second, that monetary policy based on interest rules as stabilizing policy in order to be efficient, it should be consider as a component of the whole set of economic policies, in particular, its relation with the fiscal policy. Furthermore, Myrdal also contributed to the theory of monetary rules while identified a more precise target price index where investment goods prices and monopolist price structure should be taken into consideration. He also pointed out to the existence of an "indifference field", i.e., same monetary equilibrium can be gotten with different credit conditions and interest rates and therefore different impacts on income distribution. There is not a "neutral" policy in relation to income distribution.

It is relevant to note that while other studies on Myrdal´s institutional economics approach have focused on its relation to the Keynesian revolution; or as precursor of non-equilibrium dynamic economics, this paper, in my best knowledge, is one of few that review the Myrdal´s contribution to the field of monetary rules based on interest rates. [1] Monetary rules based on interest rates as developed in the New Keynesian Consensus Model .

Odille Lakomski-Laguerre, **"Money, Credit and Cycles: views of Schumpeter and Hawtrey"**

Muriel Dalpont-Legrand, **"Equilibrium and the Business Cycle"**

After dominance of growth theory for more than two decades, business-cycle theory entered centre stage again in the 1970s. Different attempts, by various authors, have tried to connect these modern contributions to the interwar debates: from Lucas (1977), quoting Hayek on the challenge to incorporate cyclical phenomena into the system of economic equilibrium theory, to Plosser (1989) defending a purely real approach to business cycles from a methodological point of view. Plosser also referred to Hicks's position in his controversy with Hayek on the fundamental nature of fluctuations.

Despite the success of the modern literature in providing an Equilibrium Business Cycle theory, at first sight it seems that the same (old) debate confronting real versus monetary approaches is still there. A closer inspection shows that the modern tools deeply affected the nature of the arguments. The purpose of this paper is to examine the differences between the interwar and the modern debates on how economic theory deals with fluctuations.

Disc: Pedro Duarte

ζ 5] Pigouvian Mysteries of Unemployment

Norikazu Takami, "The Unemployment Controversy and the Pigou Effect"

This study focuses on the development of Pigou's macroeconomic theory during the 1930s-40s. It is divided into two parts: (1) the controversy between Pigou, Keynes and Kaldor in 1937-8; and (2) the formulation of the so-called Pigou Effect in 1941.

Massimo DiMatteo, "Pigou's Theory of Unemployment"

Disc: Nahid Aslanbeigui (naslanbe@monmouth.edu)

10:30-11:45 **Rakesh Khurana [Harvard]** Special Presidential plenary lecture
The Past as Prologue: The professionalization project in American business education

1PM-3PM Parallel Sessions η

η 1] Special Presidential session: Economic Knowledge in the New Deal State (organized by Tom Stapleford)

Andrew Jewett -- **"The USDA and the Politics of Knowledge in the New Deal State"**

For decades afterward, historians intermittently noted that the United States Department of Agriculture became a major producer of social-scientific knowledge during the late New Deal. Recently, the sociologist James Gilbert and others have devoted sustained attention to that phenomenon, while detailing how USDA leaders sought to create a more deliberative polity in which local citizens would undertake bottom-up economic planning. Taking off from my own forthcoming chapter on the "Schools of Philosophy" program that Under Secretary M. L. Wilson designed to support the agency's initiatives, I will situate this literature on the USDA's knowledge work and deliberative projects within a broader historiographical trend—driven by the recent writings of Thomas Stapleford and Jessica Wang, among others—toward excavating the arguments and practices of social scientists employed by federal agencies rather than universities. What can the USDA case teach us about the distinctive features of the American state as a site for knowledge production?

Jessica Wang -- **"Local knowledge, state power, and the science of industrial labor relations: William Leiserson, David Saposs, and American labor economics in the interwar years"**

Recent scholarship has frequently emphasized modern states' use of social science to impose universalized conceptions of rationality and order upon diverse, highly localized settings. The New Deal era experiences of William M. Leiserson and David J. Saposs, however, provide an analytical alternative. As students of the pioneering labor economist John R. Commons, Leiserson and Saposs sought to create mechanisms for state oversight of industrial labor relations that recognized local practices and arrangements. Although their approach failed to take hold within the National Labor Relations Board, localized institutional and political contingencies, and not a hegemonic modernism, account best for their frustrated aspirations in the late 1930s.

Tom Stapleford – **"The constraints of knowledge: The demise of statist economic planning in the late New Deal"**

The three years from 1937-1939 are generally recognized as a transformative moment in American political economy, marking a shift from the chaotic and statist experimentation of the early New Deal to a focus on aggregate consumption and the Keynesian analysis that largely governed American policy for the next three decades. This transformation has been largely construed in theoretic, political, or even ideological terms. (I.e., Keynes' theories were simply better, were thought to be less vulnerable to conservative critiques, or were supported by ideologically-driven champions within the Roosevelt administration itself.) Without discounting these factors, I argue that the demise of statist economic planning, represented in the late New Deal by the work of Gardiner Means, was due in no small part to Means' inability to gather the robust empirical knowledge about consumer behavior that his program required.

Disc: Jeff Biddle

η 2] **Roundtable on the Prospect of writing the history of Paul Samuelson**
[arranged by Perry Mehrling]
Wade Hands, Michael Weinstein, Roy Weintraub, Perry Mehrling

η 3] Ricardians and others on Banking

Ghislain Delaplace, "Ricardo's critique of Bentham's French manuscript"

After David Ricardo had argued against it, Jeremy Bentham's manuscript Sur les prix was never published. Our paper deals with the reasons of that disagreement. After having told the story of the manuscript, we compare its content and the critiques on both the positive analysis of the observed monetary situation and the normative analysis of an ideal monetary system. We show the theoretical divergence between two conceptions of money, Ricardo advocating a secure currency while Bentham favored secure banks. We conclude that Bentham's manuscript and Ricardo's comments may add to the present knowledge about these authors and classical monetary theory.

John Berdell, "Bentham and Banking"

Jeremy Bentham left his papers touching on macro economic topics in a more than typically disorganized state. After laboring for more than a decade Werner Stark managed to imposed a remarkable degree of order on the manuscripts, and produced his invaluable collection of Bentham's Writings on Economics in 1952(?). Yet the recent credit crisis casts a considerably different light upon the later part of Bentham's manuscripts that did the post war decades in which Stark wrote.

This paper contrasts Bentham's first foray into commercial subjects with the views he came to adopt in his later papers. His relatively early Manual of Political Economy is easily read as an obvious stepping stone from Adam Smith's many sided consideration of commercial growth and society, towards James Mill's and David Ricardo's narrower discussion of savings and capital accumulation. The Manual firmly asserts the priority of supply side in determining employment, and seems to leave little room for shocks to the credit system to vary employment. In contrast The True Alarm is deeply concerned with the entangling of money with credit which had more than demonstrated its ability to generate significant changes in inflation and output. His "true" alarm (or danger) lies with a catastrophic collapse of confidence in credit markets. He recommends a preventative regulatory framework that centers on the imposition of capital requirements on note-issuing country banks.

Chris Depoortere, "An Unpublished Letter of David Ricardo on the Double Standard of Money"

Claire Silvant, "The Debate on free vs. regulated banking in mid-19th century French liberal thought"

We examine in this article conceptions of banking in the French liberal school of the mid-19th century. The oft-neglected authors of this school were divided into two groups: the defenders of a free banking system (Chevalier, Courcelle-Seneuil, Garnier, Coquelin, Juglar) and the advocates for a monopoly over banknote issue (Wolowski, Cauwes, Faucher).

Disc: John Berdell, Joseph Persky

η 4] Adam Smith and theology [session submitted by Paul Oslington]

Joseph Blosser **Adam Smith as Theologian**

Ross Emmett, **Man and Society in Adam Smith's Natural Morality: The Impartial Spectator, the Man of System, and the Invisible Hand**

Disc: Paul Oslington

η 5] Taxation and public finance

Marianne Johnson, "American Academic Public Finance: the first 50 years"

This paper examines the institutionalization of public finance as a subfield of economics in American universities from the founding of professional academic economics departments in the 1880's through the eve of the Great Depression. To do so, we examine the development of a community of scholars recognized as specialists in public finance and the professionalization of public finance as a distinct field within economics. This includes examination of the subject's definition, its boundaries, and the types of analyses undertaken. Academic training, including courses and readings, at Columbia, Chicago, Harvard, and Wisconsin are compared.

Ajay Mehrota, "From Seligman to Shoup"

American economic experts have long played a pivotal role in guiding fiscal policies of LDCs. During the mid-20th century, there was perhaps no other American economist better known for his central role in directing global taxation ad development than Carl Shoup. When Shoup arrived in Japan in 1949, he brought his experience as a trained lawyer and longtime consultant to the US Treasury. His deep commitment to tax reform has been cultivated during his years at Columbia.

Disc: David Andrews

3:30-4:30 Parallel Sessions θ

θ 1] Maurice Allais

Bertrand Munier, **On The Allaisian Origin of Kahneman and Tversky's Risk Theory**

This paper investigates how much of CPT has been known earlier than 1992 in Allais'work. Documents published during the early Fifties as well as the final contributions of Allais to risk theory in the Eighties (1984, 1986) are examined. The parallel between Allais' Model and CPT is striking. The issue might only be one of interpreting in different ways the concepts which would then only resemble each other in the two works, but differences are minimal. On the other hand, the comparison of CPT with the original work of Kahneman and Tversky in the celebrated paper of 1979 shows that the inspiration which led to CPT can only have come from the Eighties, particularly from work by Quiggin and others on risk issues.

Although some differences between Allais' early work and the 1992 paper by Kahneman and Tversky emerge, this paper argues that common features are far more significant than differences and that Allais' precedence in the seminal work of the most recent contemporary risk theory should be acknowledged. The conclusion of this comparative analysis is that the real significance of CPT relates to uncertainty far more than to risk.

Christian Gomez, **Allais' Monetary Theory**

Allais has been known so far more for his contributions to the General Equilibrium theories and to the debates about the rationality of choices under uncertainty than for his approach of monetary phenomena. It is not because the results his models delivered were inaccurate. In fact they were very superior compared to their competitors (Keynesian models, Cagan, Friedman, Brunner, Meltzler….). It was mainly because his views were strongly against the Mainstream's ones, despite the fact that Allais was clearly in line with the tradition of the Monetary Quantity Theory, illustrated by Irving Fisher and the Walras-Cambridge School.

Based on totally new tools (hereditary effects, psychological time scale, variable forgetfulness rates, psychological rate of interest, fundamental equation of monetary dynamics, "X-factor"), he built: A new model of demand for Money able to explain in the same framework both the current situations and the hyperinflation phenomena and a new model of money supply in which the money creation is mainly endogenous; A new model of economic cycles based on the interaction of demand for money and supply of money to which he added, at the end of his life, the so-called "X-Factor" to take into account all the possible exogenous influences on the psychology of economic agents; A new model of interest rates based on the concept of psychological rate of interest and able to explain why the reactions of nominal market interest rates to changes in price level are generally so slow (Fisher's Paradox). Not only these models fit empirical data very well in various countries and periods, but they are also able to explain the results of the other theories, if any, and they have important consequences for the theory of capital and capital efficiency and, of course for the theory of money. For all these reasons, Reconsidering Allais in this period of crisis in economic thought look an important step to help rebuild the economic theory on new foundations.

Disc: Nicola Giocoli

θ 2] Can Foucault Illuminate Economics?

Annie Cot **Michel Foucault and the history of political economy: a reassessment**

Michel Foucault and the history of political economy: a reassessment Michel Foucault dealt with the history of political economy at two different times of his work. First in 1966 and 1969, both in Les mots et les choses (*The Order of Things*) and in L'archéologie du savoir (*The Archaeology of Knowledge*). Then, ten years later, in the two courses he delivered between 1977 and 1979, at the Collège de France , in Paris : Sécurité, territoire, population (*Security, Territory, Population*) and Naissance de la biopolitique (*The Birth of Biopolitics*). However the purpose of these two sets of texts and the thesis they defend are rather different, both reveal an original perspective on the historiography of economics as a discipline. The paper presents Foucault's methodological and philosophical agenda for the history of modern "knowledges" and discusses the relations between two perspectives: one centred on an archaeology of economic knowledge (both understood as " savoir " and as " connaissance "), the other focused on a genealogy of the modern form of political power: liberal "governmentality", whose major instrument, since the mid-eighteenth century would have been political economy.

Iara Lama & Marco Cavalieri, **A Foucauldian view of Veblen's Institutionalism: non-teleology and the interdiscursivity between economics and biology**

Towards the end of the nineteenth century, Thorstein Veblen began elaborating on an original system of political economy. He is considered to be the first institutionalist author, with his ideas having become more established as an alternative theoretical approach to those of traditional thought, prior to him, namely: classical, neoclassical, historicist and Marxist. The purpose of this paper is to conduct an initial exploration into the ontological and epistemological conditions of emergence of his system. For that, we shall refer to Foucault's archaeology of political economy, since it offers insights into some of the relations that help us to understand the underlying structure of thought in Veblen's historical context. Taking Foucault's archaeology as a reference, it is possible to understand that Veblen, inspired by a transdiscursivity that economics shared with biology, initiated a new tradition in economics by breaking up with one of its main epistemological characteristics: teleology.

Disc: Philip Mirowski

θ 3] 17th Century debates

Mauricio Coutinho **Locke and the quantity theory of money**

Locke has been unanimously considered a forerunner of the quantity theory of money, either by modern monetary economists or by their 18 th and 19 th century counterparts. Not so unanimous has been the acceptance of the entire framework of Locke's approach to the value of money, possibly because it implies a large array of controversial philosophical and theoretical issues, apart from the admitted relation between the supply of money and prices. Among these issues, one can list the establishment of the value of money by "common consent"; the hesitant distinction between changes in relative prices and in prices in general; the admission of money as a "standing value" (in some circumstances), even when its value admittedly varies. The paper aims at: 1. making a thorough review of the senses and contexts surrounding Locke's changing positions on the value of money, in Some Considerations…a nd Further Considerations... ; 2. detecting the precise sense and context of Locke's adherence to propositions akin to the quantity theory of money. Considering Locke's monetary theory addressed to two distinct points – the rate of interest and "raising the money" – it will also be checked to what extent his statements on the value of money keep coherence in both fronts.

Carlos Suprinyak, **"Trade, Money, and the Grievances of the Commonwealth: economic debates in the English public sphere during the commercial crisis of the early 1620's"**

The crisis-ridden first half of the 1620s was a rich period for economic pamphleteering in England, as has been long recognized. What is less commonly appreciated is that economic reasoning was not confined to the musings of merchants who sought to influence public policy according to their own practical wisdom. Using a wide array of primary sources, this paper seeks to uncover the place occupied by economic reasoning in the period.

Peter Rosner, **The simple world of the quantity theory and the difficulty to understand a monetary system**

In short-run macroeconomic analysis of the relation between a monetary aggregate and real economic activity the stock of money is usually considered to be determined either by fiat of a state authority or the accumulated current account. The influence of financial intermediation is hardly considered. In this paper I analyse two discussions important for the development of monetary economics, namely the English recoinage debate in the 1690s and the British debate on resumption of cash payments at the end of the Napoleonic wars. It will be shown that the opponents to Locke in the first discussion and to Ricardo in the second raised already arguments against Locke resp. Ricardo for their 'expansionist' view which became prominent in the macroeconomic discussion of the 20 century (Barbon and Davenant against Locke; Sinclair, the Attwoods and others against Ricardo). Particularly they questioned the validity of the assumption that the counterpart in all transaction is money proper. They pointed to the existence of other means of payments. Furthermore the relation between state finances and monetary policies were under scrutiny by these authors. However, whereas Locke and Ricardo were able to argue their position in a coherent way, their opponents were unable to put their position in a systematic framework comparable to the straightforward theories of Locke resp. Ricardo. The opponents to the latter lacked the theoretical instruments necessary to argue the expansionist position coherently. Particularly they were unable to argue any limit to the envisaged expansionary policy. That's why the 'monetarist' position became the economists' mainstream, such that later economists with the same position could see their work following the way Locke and Ricardo had laid out. The other position remained on the fringe and the authors were forgotten

Disc: Maria Paganelli

θ 4] German and Austrian currents

Harald Hageman **Jacob Marschak's German Period**

Jacob Marschak who was born in Kiev, Russia, in 1898 and died in Los Angeles in 1977, had one of the most adventurous biographies of an economist in the 20th century. In the age of nineteen he was Secretary of Labor in the Terek Republic, a revolutionary government in the Northern Caucasus. When he died, Marschak was President elect of the AEA. Marschak's professional career extended across 58 years and three countries: Weimar Germany (1919-33), the UK (1933-38) and the United States. The paper focuses on Marschak's works in the German period and explores connections with his later Anglo-Saxon periods. The German contributions cover his 1922 PhD thesis on the quantity equation, his 1930 habilitation on the elasticity of demand, both at the University of Heidelberg, as well as his early critique of Mises's thesis of the impossibility of economic calculation in the socialist commonwealth, and Marschak's several contributions on the wage-employment nexus. Furthermore, Marschak also gave an early analysis of Italian fascism and was engaged in the pioneering analysis of the new middle classes together with his teacher Emil Lederer.

Yukihiro Ikeda **Carl Menger and Adam Smith: Scottish Enlightenment Revisited**

As a phase of popularisation of Smithian economics in German speaking countries, we investigate Smith's position in Menger's Untersuchungen über die Methode Socialwissenschaften und der politischen Oekonomie insbesondere, second book by the founder of the Austrian School of Economics. Menger did not discriminate Smithian economics from the economists in France : both were characterised as examples of the Age of Enlightenment. He did not try to emphasise the differences between the Scottish and French Enlightenment. This characterisation, which cannot be supported by recent studies on Smith, goes back at least to the Older German Historical School. Methodologically, as is well-known, Menger supported the English Classical School in opposition to the German Historical School. Nevertheless, it is shown that both Menger and the German Historical School hold the same rather vulgar view on Smith. Even for Menger, who was criticized by Gustav Schmoller, a dominant figure of the later generation of the Historical School, in a review article, it was extremely difficult to depart from the paradigmatic framework of the Historical School.

Stephane Longuet, **"Alfred Schutz and coordination"**

This paper study Alfred Schutz's phenomenological sociology. This work was used, in general by authors of the Austrian tradition or close to this tradition, to show how social processes can make easier economic coordination. Such analyses refer to the theory of typification almost exclusively. In this paper we show that Schutz's theory of relevance provides us an analysis of the cognitive processes. This analysis is original because it leads to a theory different from Mises and Hayek's theories of action, and different from the theories of action based on substantive rationality. However Schutz's theory seems able to sustain some aspects of Lachmann's analysis. We conclude by showing that this theory results in underlining the limits of economic coordination and that the theory of the cognitive processes brings Schutz closer to recent currents of cognitive sciences.

Disc: Maurice Lagueux

θ 5] Entrepreneurs

Ross Emmett Frank **H. Knight on the 'Entrepreneur Function' in Modern Enterprise**

Frank Knight's theory of the entrepreneurial function in modern enterprise is explored in two contexts. The first is Berle and Means' The Modern Corporation and Private Property , with its call for social control to ensure the modern enterprise acts in the social interest. The second is Knight's later arguments regarding the problem of intelligent control in a democratic society. Underlying all of Knight's work are his concerns about freedom and moral judgment in the midst of uncertainty, with their attendant agency problems. Knight argues that entrepreneurial action is not just bearing the risks of unknown consequences, but also the courage to take up the challenge of organizing productive resources in the face of recurrent agency problems. In the latter part of *Risk, Uncertainty, and Profit* , Knight argues that social functionaries are not entrepreneurs, and hence that democratic action will also be plagued by agency problems; a conclusion that much vexed him in his later ruminations on the fate of liberal democratic society. The final section provides a Knightian response to Berle and Means.

Arild Saether, **What happened to the Entrepreneur in Economics?**

This paper outlines how the concept of the entrepreneur was introduced in economics; it provides an understanding how this concept became part of economics teaching; finally it explores why the concept of the entrepreneur disappeared from economics textbooks.

The farmer is an entrepreneur wrote Richard Cantillon in 1755. He argued this because farmers produce the agricultural produce, take the produce to market and ultimately take the risk if the produce is not sold to profitable prices. Jean-Baptiste Say extended this analysis and introduced the entrepreneur as a fourth factor in production and as an important factor in economic development. His books became popular and they ensured that the concept of the entrepreneur became an integral part of the teaching of economics in Europe and North America. The Norwegian case is explored in some details.

The entrepreneur played an important role in economics until Ragnar Frisch and his Oslo School and Paul Samuelson and his 'neoclassical economics' rendered the concept of the entrepreneur redundant. Although the entrepreneur plays and increasing role in economic development in both rich and poor countries the concept of the entrepreneur has not yet been reinstated in most textbooks of economics.

Art Diamond, **"Epistemology of Entrepreneurship"**

Entrepreneurs have two advantages over credentialed experts. They "know" less of what is false, and they (informally) know more of what is true. They know less of what is false because they are either ignorant of, or willing to ignore, the currently dominant theories. They know more of what is true by having more informal knowledge (whether local, tacit, or inchoate). Funding of projects by firms or governments will rely on expert judgments based on the currently dominant theory. So breakthrough innovations depend on innovative entrepreneurs being able to find funding independent of the insider incumbent institutions, usually self-funding.

Disc: Douglas MacKenzie, Pete Boettke

4:45-5:45 HES Presidential Address **Jerry Evensky** "What's Wrong with Economics? It Ignores the Pogo Principle: 'We have met the enemy and he is us.'"

6:30-7 Reception
7-10PM Conference awards and banquet

Monday June 20

8:30AM- 10:30 AM <u>Parallel Sessions κ</u>

κ 1] Value Re-evaluated

Dave Harshad, **Value, as Revaluated**

The words like value, ability, need etc are very important while explaining the sensitive issues of economics. Though substantial debate, writings and discussion are held on the same, it (work done on such words) seems inadequate. Undersigned has tried to re-valuate the word "value" in the subject papers with title "Re-valuation of Value". It is tried to define value with four preconditions. Other all sense/feeling of value (not fulfilling the subject four conditions) are the particular form/type of value but not the value as defined. However, the types of value might be recognized as the raw form of value…. but not as the value as per the definition. If issues of economics are reviewed with this concept in mind, one might face minimum controversy while arriving on conclusion for any issue of economics.

Ed Noell **"On the Impossibility of a Value-Free Economics: A Comparison of Austrian and Theonomic Evaluations of Market Decision-Making"**

While twentieth-century Austrian economics famously developed a critique of socialist central planning, ironically it shared with the socialists a common disdain for the notion of a value-free economics. Hayek and other Austrian economists such as Kirzner also spurned the 'value-neutral' neoclassical welfare economics which offered a theoretical basis for government intervention. Instead the Austrians recognized the need to ground their appeal to the benefits of allocating resources through the process of entrepreneurial discovery on a moral foundation.

In a similar fashion to the Austrians, in recent decades Christian economists in the theonomic camp have offered their own critique of the 'value-free' assumptions of modern neoclassical economics. Originating in Protestant Reformed evangelical theology, theonomic economists seek to center economic policy in Biblical norms. They offer an alternative foundation for market decision-making by relying on concepts such as the imputation of economic value and economic personalism. This paper offers a comparison of Austrian and Theonomic critiques of 'value-neutral' economics and defenses of market processes. It asserts that the Austrian concept of purposeful human action can essentially only proclaim a 'faith' that market processes evolve in a way that best serves individuals. The paper examines the theonomic case that the Austrian defense of market processes rooted in the value of human autonomy is inferior to the basis for market processes grounded in the revelation found in the Bible.

Johnathan Andreas, **The Cardinalist Manifesto**

As part of the positivist wave of the 1930s, the ordinal revolutionaries developed a unique theory of measurement which has never been previously examined from a measurement-theory perspective. Most of what economists have been calling 'ordinal utility' is really cardinal. This paper gives an overview of measurement theory as it relates to cardinality and ordinality. Even the most fundamentalist ordinalist concept, the marginal rate of substitution, is strongly cardinal according to measurement theory.

Gilles Campagnolo. **"Criticisms of Classical Political Economy: how utility theories mad the difference"**

From both a historical and a contemporary theoretical standpoint, marginal utility theories have been at the forefront of innovation in times of economic turbulence, times that always called for economic theory reassessment.In the "Great Crossroads" years (1870's), with economic theory at critical breaking point, a most powerful theoretical stream emerged later to determine the overall course of economics: subjectivist thinking and the construction of a value theory along the principles of marginal utility. Naturally, not all marginal analysis was subjective, far from there: most of it was objective equilibrium seeking (Walras, Jevons, Marshall). The Austrian brand was different. From that standpoint, Emil Kauder studied Menger's views in 1959-1960. My own archival work has completed that research (*Criticisms of Classical Political Economy: Menger, Austrian economics and the German Historical School* , Routledge, 2010). Now, the importance of methodology for smoothing out a new theoretical system was reckoned by Menger, instructively enough even for our own times, the 2010's: " a theoretician has to reconsider the methods of science and possibly investigate its hypotheses". Some utility theories today tend to incorporate subjective thinking, in relationship with subjective feelings, emotions and cognition: their impact for today's economics will be examined.

Disc: Joseph Persky, Wade Hands, Timothy Terrell (terelltd@wofford.edu)

κ 2] Ethics Impinges on Economists

John Davis **Kenneth Boulding as a Moral Scientist**

Kenneth Boulding's AEA presidential address argued that economics is a moral science. His view derived from his general systems theory thinking, his three systems view of human society, and his early contributions to evolutionary economics. Boulding's argument that economics could not be value-free should be distinguished from other well-known views of economics as a moral science, such as Gunnar Myrdal's. This paper discusses the development and nature of Boulding's thinking about economics as a moral science in the larger context of his thinking.

Douglas Meador, **An Historical Perspective on an Economist's Understanding of Natural Law**

Amos Witzsum **Economic Methodology and the Conception of Economic Justice**

While there is clearly a difference in the perception of the economic problem between classical and neoclassical economists, economic interdependence seems to be central to both schools of thought. At the same time, the emergence of economics as an independent discipline which is focused on problems of coordination appears to coincide with the disappearance of desert (or ethical principles of remuneration) as a concept of economic justice. In terms of modern economics there are two main reasons for it. First, there is the fundamental notion of Walrasian general equilibrium where contemporaneous simultaneity produces a system where no one's specific choice or action can be meaningfully associated with any specific outcome. Hence, as we cannot assign responsibilities, the whole idea of desert becomes vacuous. Secondly, there is the problem of subjective theory of value. Ethical principles of remuneration contain in them a (fixed) relationship which may not be consistent with the inherent substitutability which characterises utility theory. We may have an a-priori idea about which sets of equilibria satisfy a certain principle of remuneration (say, proportional to effort contribution) but as we are unable to incorporate them into the principles which guide individual behaviour, the meaning of such allocations remain vague. This, I will argue, is mainly due to the 'rationalist' nature of the Walrasian system.

Classical economics (in its liberal tradition), on the other hand, while being equally concerned with economic interdependence came up with very different concepts of coordination and behaviour. This is mainly due, in my view, to the empiricist tradition underlying the work of its main scholars. Consequently, concepts of economic behaviour are closely linked to the way in which we form moral opinions. Economics and ethics, therefore, are closely intertwined and the ethical significance of outcomes can be directly related to the institutions governing economic activities. Moreover, as institutions were clearly incorporated in the analysis, they allowed the creation of clear causal relationship which also allowed concepts of desert to become part of their conception of economic justice. It is therefore the purpose of this paper to show that the disappearance of desert theory-- which dominated human thoughts about economic justice for centuries-- is not really the result of recognising the significance of interdependence as it is a result of particular epistemological trends.

Disc: Tim Leonard

κ 3] Special Roundtable on Teaching, organized by Avi Cohen

Ross Emmett, Rob van Horn

κ 4] British Classical Political Economy and Method

Shin Kubo **From J.-B. Say to D. Stewart and J. R. McCulloch: On the Scope and Method of Political Economy**

This paper aims to trace a specific way of discussing the scope and method of political economy as it was being established as a discipline in its own right in the early nineteenth century. As is well known, Say began his Traité with the "discours préliminaire" concerning scope and method, therein making use of a framework of concepts—distinctions between political economy and politics, between political economy and statistics, and between generalisations and particulars. As is less mentioned by commentators, Stewart and

McCulloch also used this triad of concepts at the beginning of their respective courses on political economy. It is noteworthy how differently these two Scotsmen used this triad, which they both seem to have got from Say. This divergence may have reflected differences in the historical context in which the two presented the discipline of political economy to their audience, and, furthermore, differences in what they intended to make it look like. A detailed scrutiny of their use of this framework will, therefore, lead us to reconsider the individual place that each of them deserves in the history of economics, as these men greatly contributed to creating the public image of an emerging discipline.

John Henderson **"two travellers pursuing the same course on opposite banks of a river" John Stuart Mill, Romantic Poetry and Classical Economics**

This paper examines the conflict between three Classical economists – Jeremy Bentham, James Mill, and especially John Stuart Mill -- and two Romantic Poets – William Wordsworth (John Stuart Mill's favorite poet) and Percy Bysshe Shelley (Harriet Taylor's favorite poet). The time period is between the French Revolution in 1789 and the passing of both the Reform Law in 1832 and the new Poor Law in 1834. "Poetry mattered to this age in a way that it has never mattered since." This paper focuses on Bentham and his followers' attack on Romantic poetry and the role that Romantic poetry played in the intellectual and personal life of John Stuart Mill. Rejecting the views of Bentham and his father, Mill came to compare himself with Wordsworth, saying "our principles are the same . . . we are like two travelers pursuing the same course on the opposite banks of a river."

Maurice Lagueux, **Bentham and the Idea of Maximisation**

While Jeremy Bentham is mainly known for having influenced Jevons' views on utility, it is the way he identified rationality and maximisation that has been most determinant for the destiny of economics. Indeed, various economists such as Condillac had previously highlighted the fundamental role of utility, but Bentham went further still by systematically looking for a way to maximise utility. This difference is largely due to the fact that, whereas the former economists were primarily interested in explaining economic phenomena, Bentham's main concern was optimal decision-making. Jevons took over Bentham's maximising approach with regards to utility, but, in contrast with Bentham, his main goal was to explain phenomena. However, since people are poor maximisers, one may recommend to have an eye on a maximum when the goal is to fix a normative target, but one can hardly postulate that people maximise when the point is to explain an actual situation. In any case, the paper mainly emphasises that Bentham's whole enterprise was based on maximisation whether it be with regards to the establishment of his basic principle, his criticisms of law and government, or when he exposes the architecture of the Panopticon presented as the ideal house of detention.

Disc: Evelyn Forget, Sherry Kasper

11AM-12:30 Parallel Sessions λ

λ 1] International Adam Smith Society sponsored session (submitted by Maria Paganelli)

Paul Oslington Adam **Smith and the Future Hope**

Many of the global challenges we face involve economics, and theologians serving the contemporary church cannot escape an engagement with economics. This paper explores the place of future hope in economics through an examination of Adam Smith's treatment of the topic. It begins by outlining the 18th century theological background of Smith's work, including Stoicism which Smith was attracted to as a student, the Calvinism of the Scottish Enlightenment moderates, and the Newtonian tradition of natural theology. The future hope plays an important role in Smith's system, but though future rewards and punishments are never invoked in utilitarian manner. Judgment and future hope operates as a court of appeal where wrongs on this world are righted and persons receive their just deserts. The justice of this divine court of appeal is continuous with and reinforces the natural jurisprudence. There is no conflict between the two because, as Smith affirms, the same "great Director of nature" or "lawful superior" is at work in both. For Smith the future state is an imaginative space where morality can be considered and renegotiated under the gaze of the author of nature. This conception of the future state connects with Smith's various conceptions of spectators which play an important role in his moral theory.

Maria Paganelli, **The Scottish Enlightenment and Public Governance of the Economic System"**

This paper questions the idea that natural, in the natural system Adam Smith describes, means inevitable, normal, or perfect. For Smith, what is natural in a natural system that governs the economy seems to be a normative prescription.

Don Matthews **When the private pursuit of self-interest causes harm, according to Adam Smith**

Many people, including most economists, hold the notion that Adam Smith was an ideological champion of laissez faire whose primary argument was that when people act in their own self-interest, society as a whole benefits. Through the years, many historians of economic thought have tried to counter that popular notion by making the case that Smith's thinking was neither simple nor ideological, that he described, in the Wealth of Nations , many instances in which society is harmed by the private pursuit of self-interest. This paper attempts to buttress that literature by providing a fuller catalog of cases described by Smith in the Wealth of Nations in which the individual pursuit of self-interest does not promote the well-being of society as a whole.

Discussants: JeffreyYoung (jyoung@stlawu.edu), Cecilia Miller (cmiller@wesleyan.edu)

λ 2] Douglas and Coase at Chicago

Jeff Biddle **The Cobb-Douglas Regression: Douglas's Cross Section Studies, 1936-1945**

This paper is a draft chapter from a projected book on the origins and diffusion of the Cobb-Douglas regression as a research tool in empirical economics. The goal of the book is to give an account of how an initially experimental and controversial research method came to be established as something of a general-purpose empirical tool. The chapter focuses on the period 1936-1945, during which Paul Douglas and several young co-authors estimated the regression using a variety of cross sections of industry-level data. Douglas used these studies to promote the method and defend it against criticisms directed at his earlier work estimating the regression using aggregate time series data. Of particular interest is the evolution over the period of Douglas and his coauthors' understanding of the relationship between the regression results and the marginal productivity theory of distribution, and their efforts to articulate a statistical framework that justified the use of the regression as a method for measuring relationships between inputs and output. The problems perceived and solutions proposed by Douglas's team reflect larger conflicts in the profession at the time over the appropriate way to conceptualize the relationship between economic theory and statistical analysis.

Samuel Ferey **Coasean economics through Coase papers: some insights about Coase methodology**

Coase papers and personal archives are now partially open to historians of economic thought at the Regenstein Library of the University of Chicago. The 16 boxes of papers, correspondence and materials used by Coase to write his main contributions offer an original sight on Coasean economics and methodology. First, Coase papers provide interesting insights about the manner by which Coase reached his main results, and notably the Coase theorem. They are unique materials to understand the Coasean "logic of discovery". Second, they offer some elements to better understand the epistemological and methodological roots of Coasean approach. The aim of our paper is to show that Coase has been influenced by logical empiricism. "I was a student of Carnap" Coase writes in a letter and the analysis of Coase papers invites to take seriously this acknowledgement of his intellectual debt. In a first part, we show that Coase shares most of the key-aspects of carnapian view of science such as the role of inductive logic in science, the key distinctions between analytic and synthetic statements and the separation between facts and values. According to us, this empiricist roots, clearly present both in the manner by which he thought his own practice of economist and in his practice itself as it appears in its papers, explain the ambiguities of Coase concerning his theorem. He considers it as an analytical statement, necessarily true, but without any empirical content. This explains why he always tried to defend his theorem and, at the same time, to make appeal to abandon the hypothesis of zero transaction costs. In a second part, we develop the consequences of this methodology on transaction costs economics. Contrary to what is often asserted and according to his papers, Coase had not in mind a comprehensive research program grounded on transaction costs between the article about the firm in 1937 and the one about the social cost in 1960. At the same time, it is obvious that Coase interests are precisely the world of positive transaction costs. According to us, it is the case because statements which apply transaction costs are considered by him as synthetic ones. In other words, they are the only statements in economics which have an empirical meaning. But to guarantee that they inform us about the "real" economic world, transaction costs need to avoid any analytic or tautological definition. We conclude by insisting on the very differences between Coase's positivist methodology and Friedman's one in economics.

Per Bylund **Transaction Cost Theories of Economic Organization Dehomogenized: a Specialization-Based Approach**

This paper analyzes the transaction cost theory of the firm. I first attempt to understand the influences on Coase's thinking (e.g. Plant), and how these helped shape Coase's theory of transaction costs (1937, 1960) as a determinant of market organizing. Coase's framework is then analyzed from the perspective of specialization (division of labor), which was the pre-Coasean explanation readily dismissed in Coase's work – and disregarded ever since. The point is to identify fundamental assumptions in Coase's work to be contrasted with those of Williamson (1975, 1985, 1996) – the contemporary champion of the "Coasean" analysis.

As analytical framework, I utilize the economic understanding of specialization and the division of labor (Smith, 1776; Young 1928) and argue that specialization can a potential cause of and rationale for integrating in the market and that specialization plays a significant role in both Coase and Williamson. Using this framework and the broader understanding of their viewpoints, I identify points of disagreement between Coase and Williamson. I argue that there are fundamental differences as pertains to their views of transaction costs, the market, and the definitions of firm. I conclude that these are theoretically and practically irreconcilable, fundamentally dehomogenizing this approach to market organizing.

Disc: Steve Medema, Patrick Gunning

λ 3] Ancient Themes

Balbir Sihag **Kautilya on Ethical Anchoring as Systemic Risk Management**

"For the world, when maintained in accordance with the Vedas, will ever prosper and not perish. Therefore, the king shall never allow the people to swerve from their dharma." Kautilya (4 th Century BCE, pp. 107-108)

Ancient thinkers in India specified artha (material well-being), dharma (ethical conduct), kama (aesthetic pleasures) and moksha (salvation) as the four ends of a virtuous and productive human life. Rig Veda, which was composed by 414 seers more than 4000 years ago, emphasized ethical values, such as compassion, non-violence, honesty, truthfulness, and tolerance. The very first world philosopher Yagnavalkya, at least three hundred before the Greek philosophers, proposed the golden rule. Similarly, Confucius preached virtue ethics. That is, virtue ethics was recommended way before the Greek philosophers. Kautilya argued out that ethics was desirable not only for its own sake but also served as a means to lowering the transaction costs. Incidentally, Adam Smith knew that virtue ethics has an instrumental value but emphasized only its intrinsic value. Kautilya approached each problem very methodically and comprehensively. He identified several sources of risk but singled out three of them as affecting the whole state. These were ranked as: (a) threat of an aggression, (b) fear of moral degradation and (c) occurrence of famine. Sihag (2010a) presents Kautilya's approach to the minimization of the threat of a foreign aggression and Sihag (2010b) discusses preventive and remedial measures related to handling a famine. Kautilya's approach to the minimization of the probability of moral degradation is discussed here. He argued that ethical anchoring instilled self-discipline, control of destructive emotions, reduced shirking and other moral hazard problems. Since a reduction in probability of crimes also lowered the need for building courts, police stations and other infrastructure implying a decrease in transaction costs. He emphasized character-building to eliminate the need for prison-building implying that instead of a happy hour, let there instead be an ethics hour to make the world a more peaceful and enjoyable place to live in.

Dotan Leshem **The Distinction between Economy and Politics in Aristotle's Thought**

As Aristotle stated at the outset of the *Politics* and the *Ethics* , his explicit goal was to establish the political community as the sole community in which human beings are able to live a happy life to its fullest degree. In this presentation I will try to demonstrate that in order to substantiate the superiority of the political over the economic community he presented three criteria for testing the fulfillment of a happy communal life: i) the level of self-sufficiency achieved by the community; ii) the level of plurality that appears in it; and iii) the extent to which its principle of action is guided by virtue. As I will try to show, Aristotle's presentation of the level of the economy's self-sufficiency relative to politics is shown to be inconsistent: economy is variously described in his texts as the servant of politics, as a science second only to politics, and as its equal among the supreme sciences. Discussing the plurality that appears in the various human communities, I address the puzzle of why Aristotle insists that the political community, and not the economic one as it seems at first glance, exhibits greater plurality. Finally, that which distinguishes most clearly between the economic and the political communities is the virtue demonstrated in them: soundness of mind (*sophrosyne*) in the economy, and fortitude in politics.

Λ4] **Observation and Inference in Historical Perspective**

This session, with a subset of papers from the 2011 HOPE conference, aims at re-investigating our received understanding of what observations are in economics, and how practices of observation changed through history.

Pedro Duarte & Kevin Hoover "Looking for the Observations for late 20th Century Macroeconomics"

Practicing economists believe that they ought to test their theories with facts about the economy they want to model. They use facts not only to refute theories but also to corroborate their ideas. Macroeconomics consistently portray their field as being in a state of theoretical disarray, which contrasts with their view of the stable and progressing field of microeconomics. In building the recent new consensus in macroeconomics (known also as the new neoclassical synthesis or DSGE macroeconomics), facts have played a central role in it: the new consensus economists argue they have a good model because they can replicate important features of the real world and thus they can offer sound advices to policymakers.

When one pays more attention to the "stylized facts" that monetary economists take for granted he notes that macroeconomists still have not settled on a unique or standard method for looking for those facts (specifically, there are alternative identification hypothesis that can be used). And the interesting point is that the facts drawn from the data are sensitive to the methods employed, but this has not deterred them in pronouncing to have a set of facts.

Similarly, during the heyday of the real business cycle (RBC) macroeconomics, these economists also had a set of "stylized facts" that they showed that their model could account for, despite some criticisms that some of them were artifacts of statistical procedures used. Some of the RBC theorists even took the stand to blame the data for eventual incompatibilities with theoretical variables. Moreover, they claimed that the driving forces behind the business cycle were real innovations (shocks to the available technology, preferences of consumers, tax rates, and so on). In contrast, New Keynesian economists emphasized monetary shocks as the sources of fluctuations. Given that the new consensus macroeconomics can be seen as a merger of RBC and New Keynesian theories of economic fluctuations, it is interesting to discuss how macroeconomists of different stripes built facts and convinced one another about such an important issue as the source of the business cycle.

The goal of this paper is to discuss how macroeconomists in the late 20th century looked for the observations from the statistical data (produced by Bureaus and other government agencies). We can then portray the evolution of macroeconomics in this period as an unfolding effort to build facts that models should explain. Another layer that can be explored in this narrative is the role played by the user of facts and models in shaping the facts produced: while in the 1960s computer limitations gave additional impulse to using certainty-equivalence in macro models—this property basically reduces the amount of information that modelers, advisors and policymakers should know, turning complex problems feasible for the computers of the time—nowadays such limitations are much weaker. Notwithstanding these computational improvements, part of the discussion about what are the "stylized facts" seem more restricted to academia than to the policymaking arena: while academic economists keep discussing the appropriate measure of output gap—and thus, what facts are associated with this macroeconomic variable—policymakers have their own procedures and set of facts when deciding today the level of the interest rate.

Marcel Boumans "A History of the Treatment of Observational Errors"

I am not aware of any other book in economics that discusses observations so extensively as Oskar Morgenstern's (1950) On the Accuracy of Economic Observations, but even this book focuses much more on "accuracy" than on "observations". Morgenstern uses the term "accuracy" as synonymous with "reliability", expressing how much (less) "error" is involved in the observations. So the book is a 300 pages long very detailed discussion of various sources of errors, how to deal with, to reduce, or – if possible at all – to avoid them.

The sources of errors are legion. According to Morgenstern the sources of errors are more numerous and the problem of treating them is far more serious in the social sciences than in the natural sciences. For example, one has to deal with deliberate lies, hiding and suppression of information, and conflicts with the interests of private business. Moreover, observations are "most frequently made of unique phenomena. Sometimes the same event is observed simultaneously by different observers who are, however, seldom scientific observers" (p. 284).

What the book shows is that a treatment of observations is a treatment of sources of observational errors, which can only be but a detailed discussion of idiosyncratic circumstances leading to these errors. The book does not present a 'theory of observations' or a 'theory of errors'. If Morgenstern aimed at arriving at such a theory, he would have done something very opposite to the book's intentions, namely to abstract from these idiosyncratic circumstances. A 'theory of error' could only arise when observational errors were divorced from cause and effect, from the individual observer, from actual measurements, from time, etc. Abstraction from these circumstances led to Gauss's mathematical theory of errors, with elements as the least squares method and the normal distribution.

This latter history towards a theory of errors is well exposed by Klein (1997), Maistrov (1974), and Stigler (1986). The development described by these histories is from evaluating which individual expert's observation is most reliable to taking the mean of all observations as most accurate. Morgenstern's book, however, is not covered by these histories. Therefore another historical line should be drawn, a line going through field disciplines where a statistical mean of observations is meaningless, or lacks relevance. Although the method of least squares became the standard tool to deal with errors across many different disciplines, its legitimacy depends on the availability of a large number of independent – preferable layman – observations, equally trustworthy so far as skill and care are concerned, and obtained with precise instruments. In astronomy and geodesy, these requirements were no problem, but there a lot of field disciplines where these requirements can never be met.

What these disciplines show is that instead of a 'theory', detailed instructions were developed of how to take account of the idiosyncratic circumstances to arrive at accurate observations. It is however not only in the making of observations that one needs to take into account these idiosyncratic circumstances, but also in the choice or development of a 'calculus of observations' (Whittaker and Robinson 1944) one should consider them. As soon as one has to 'weight' the observations, like in the case of designing index numbers (e.g. Fisher 1927) or graduation formula (e.g. Henderson 1938), these weights should somehow represent these circumstances.

These were also the issues Morgenstern had to deal with when he was the director of Austrian Institute for Business Cycle Research and later being member of the Committee of Statistical Experts of the League of Nations. The proposed paper aims to contextualize historically Morgenstern's work on observations based on a study of the above accounts of treating observations.

Tom Stapleford, **"The Evolution of Methodology in U.S. Expenditure Surveys, 1920 – 2000"**

This essay examines the evolution of methodological practices in American expenditure surveys over much of the twentieth century. Though there is a substantial literature on the rise of probability sampling and on conceptual debates about statistical categories and calculations, historians have devoted relatively little attention to the actual practice of collecting statistical data. By providing an overview of the methodological dilemmas and debates in one set of statistics – expenditure surveys – I aim to show how attention to the practice of survey work can enrich our understanding of the history of economic statistics.

Economists conducting expenditure surveys faced one fundamental concern: their success hinged upon the cooperation of interviewees (typically housewives) and the reliability of their testimony. Investigators recognized that both dependencies posed serious problems, and they struggled to devise effective solutions. I argue that over the course of the twentieth century, U.S. expenditure surveys moved through three general approaches. Having started the century by emphasizing the expertise of field agents, federal statistical agencies began to rely more heavily on formalized techniques and rules during the late 1920s. In the early 1970s, this emphasis on technique was supplemented by a novel, probabilistic approach designed to overcome the inherent limitations of existing strategies, although it also involved a subtle but radical re-conceptualization of the survey process itself.

Geoffrey Poitras, "Richard Price, Miracles, and the Origins of Bayesian Decision Theory"

Following a brief overview of the contributions that Richard Price (1723-91) made to the history of economic thought and related subjects, this paper examines the earliest known contribution to Bayesian decision theory: the reply that Price made to David Hume's sceptical argument against Christian miracles. Contrary to conventional presentations, this paper demonstrates that essential issues in the debate with Hume need to be properly situated within the broader philosophical and theological debates of those times. Price's primary application of Bayes's theorem to Hume's argument against miracles is also shown to be distinct from the conventional Bayesian approach to the interpretation of testimony. The 'rational intuition' used to motivate Price's prior distribution is compared with modern intuitionism and substantive differences are identified.

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Disc: Tiago Mata, Annie Cot