REPORT

THE HISTORY OF ECONOMICS SOCIETY'S FIFTH ANNUAL CONFERENCE IN TORONTO FROM MAY 24 TO 27, 1978.

SESSION I Application of the History and Philosophy of Science to the History of Economics

Papers: This session featured papers on the 19th century battle for converts between Newtonian and Darwinian methodologies, the influence of Newton on two Scottish intellectual giants and philosophical/methodological schizophrenia in Milton Friedman.

Royall Brandis (University of Illinois — "Newton vs. Darwin in Nineteenth Century Economics") contended that the unequivocal acceptance of the Newtonian scientific approach by Say, Malthus, Torrens and Ricardo in the early 19th century eventually gave way, later in the century, to the ambivalence of Mill and Marshall and to outright acceptance of the Darwinian approach by Marx, Veblen and Sumner. In "the crucial century for the development of economics," the concern about whether any scientific methodology was appropriate for economics was lost in the debate about *which* method to adopt.

Roy J. Rotheim (Franklin and Marshall College — "Smith and Hutton at Edinburgh: The Newtonian Influence on the Foundations of Economics and Geology") examined the influence of Newton on Adam Smith and James Hutton, the "fathers," respectively, of modern economics and modern geology who became close friends after Smith settled in Edinburgh in the late 1770's. Newton's conception of gravity and force as the central, unifying elements in his mechanistic model of the universe had analogues in the models of Smith and Hutton. For the former, it was self-interest and the invisible hand; for the latter, heat and forces of attraction and repulsion explained the formation of the continents.

Stephen J. Thompson (U. S. Congressional Research Service — "Application of the History and Philosophy of Science to the History and Philosophy of Economics") contrasted the philosophy of modern economic analysis, represented by Milton Friedman, with contemporary views on the philosophy of science emanating from the works of Karl Popper, Thomas Kuhn and Imre Lakatos. He contended that two distinct philosophical/methodological positions are taken by Friedman. Friedman 1 explicity distinguishes between normative and positive economics and establishes the testable hypothesis requirements for theory rejection; Friedman 2 implicitly treats positive economics and the pure competition model as if they were synonymous, thus fusing positive and normative economics by making pure competition a goal as well as a value-free hypothesis. He concluded that Friedman 1 is compatible with the views of Popper, Lakatos and Kuhn but that Friedman 2 is not.

Discussants: Abraham Hirsch (Brooklyn College, CUNY) contended that the confusion of mathematics with empirical science, noted by Brandis in Walras' work, has been an important characteristic of economic methodology in general. Historicism rather than the Darwinian method had a greater influence on Marx and Veblen; Marshall viewed the biological mode as being superior to the mechanical model although certain statements in Marshall do give a contrary impression. As to Thompson's paper, Hirsch doubted the applicability of the philosophy of science to economics, derived as it is from an examination of the physical sciences. With regard to Rotheim's paper, he observed that while Adam Smith was inspired by Newton, he did not follow Newton blindly.

Donald Walker (Indiana University of Pennsylvania) was critical of the Brandis paper for understating the importance of Smith's acceptance of a Newtonian approach in establishing a methodology for economics. Marx used a classical, not a Darwinian, approach in the actual analysis of capitalism, and Veblen never did use an evolutionary model to examine concrete economic problems. He contended that Marshall advocated a physical science methodology and did not perceive a conflict between the evolutionary and Newtonian approaches. Walker agreed with Rotheim about similarities between Smith and Newton but noted that Smith's principle of growth had no analogue in the Newtonian system. He disagreed with Thompson's contentions that Friedman both equates pure competition and positive economics and postulates that pure competition *ought* to exist.

SESSION II The History of Sub-Disciplines of Economics

Papers: Joseph Remenyi (Ford Foundation — "Core-Demi-Core Interaction") extended Imre Lakatos' scientific research program (SRP) "model" in order to analyze the dynamic elements in the historical development of the economics discipline. It focused on the role played by sub-disciplines in extending and preserving the dominant SRP in economics — neo-classicism. Each sub-discipline has a demi-core which is analogous to, and "has its genesis in the heuristics of, the hard core" (in Lakatos' terms) of the discipline. A sub-discipline attempts to protect the dominant SRP by absorbing (making consistent) or rejecting rival SRP's, inconsistent empirical results and "threatening" methodologies, (e.g., the neo-classical synthesis turning Keynes' model into a special case). As well, efforts will be made to extend the applicability of the dominant SRP (e.g., extension of the neo-classical model into the analysis of criminal and political behavior).

James Becker (New York University — "Rise of Managerial Economics: An Introduction") contended that as an instrumental rather than scientific discipline, economics has, from a materialist perspective, developed a managerial or entrepreneurial bias. Economists have as entrepreneurs provided technical and ideological support for the corporate sector in particular and for the capitalist system in general.

The paper by **Douglas J. McCready and K. Arnold Frenzel** (Wilfrid Laurier University — "The Development of the Economics of Education") examined the development of the economics of education as a sub-discipline. The *demand* for the output of this sub-discipline was sparked by the perceived educational crisis arising out of Sputnik and increased due to the growth in expenditures on education and to the growing social awareness of the need for allocative efficiency. Growth in journal publications, university courses, doctoral theses and research grants provide evidence, on the *supply* side, of the development of the economics of education into a sub-discipline.

Discussants: Gerard Koot (Southeastern Massachusetts University) suggested that Remenyi's paper combines the approaches of internal history (progress of ideas) and external history (determined by social forces) of a discipline by analyzing the "bi-directional impact between the hard core and reality." Its focus on sub-disciplines is consistent with what some view as the "barbarism of specialization" — a key feature of 20th century intellectual history. Koot felt that a study of the rise of "peddler" economics should be rooted in general history rather than in Becker's narrow model of deterministic materialism. He was critical of the Frenzel — McCready paper for skimping on the discussion of the intellectual content of the economics of education and for ignoring the internal reasons for its emergence.

Akhbar Akhtar (Federal Reserve Bank of New York) noted that Remenyi's modified SRP model retained the logical falsificationism of Lakatos (. . . a theory is falsified not by anomalous observations but by a "better" theory). He contended that the importance of general consensus and of "fear" in the social sciences makes it difficult for a Lakatos-Remenyi model to skirt Kuhn's relativist position. Akhtar suggested that the Frenzel-McCready paper would be improved if it compared the development of one sub-discipline with another and wondered whether the economics of education would pass the test of a sub-discipline a la Remenyi.

Comments: Neil deMarchi (Duke University) asked Remenyi how work done, which is consistent with the heuristics of the hard core, could logically generate anomalous results. Remenyi replied that research on specific cases (e.g. Leontief paradox) might help answer the question.

SESSION III Writing the History of the Economics of Living Economists

Papers: Michael Bordo (Carleton University) and **Anna Schwartz** (N.B.E.R.) ("Clark Warburton: Pioneer Monetarist") demonstrated that Clark Warbuton, from the early 1940's onward, anticipated much of the theoretical and empirical work and policy conclusions of contemporary monetarists. His insistence that "money matters," his findings on the key roles of money and monetary policy in American economic history and his advocacy of a monetary rule to replace discretionary monetary policy, pre-dated the work of Friedman, Schwarz, Meiselmen and others.

Thomas Rymes (Carleton University — "On the Development of Harrodian Dynamics") stated that the late Sir Roy Harrod's greatest contributions to dynamic theory were his views on technological progress (particularly the definition of neutrality), the concepts of the "warranted" equilibrium, the analysis of the interrelationship among actual, warranted and natural rates of growth and the central notion that dynamics must examine the "moving entrepreneurial equilibrium" which requires abandonment of the Walrasian framework of perfect foresight, complete futures markets, etc. in favor of studying the formation of expectations and whether they are realized. Thus, Harrod's work provides a basis for future research.

Laurence Moss (Babson College — "Hayek's and His Students' Perceptions of the Keynesian Revolution") attempted to determine why Hayek's work, greeted with such enthusiasm when he arrived at L.S.E. in 1931, failed to survive in the face of the Keynesian Revolution. He posited that the young Keynesians (Kaldor, Hicks, Lerner, Robinson, et al.) were concerned about the *short-run* impacts of induced expansion on output and employment while Hayek stressed the need to analyze the *long-run*, structural effects of government policy.

Nicholas Balabkins (Lehigh University — "Institutionalism in the Work of Gunnar Myrdal") claimed that it is in his more recent work on economic development (e.g. **Asian Drama**) that one finds the clearest statements of Myrdal's institutional ideas: — that the basis for economic development must be found in broad changes in social institutions rather than narrow industrialization policies based on conventional economic growth theory.

Byrd Jones (University of Massachusetts — "On Lauchlin Currie") examined Lauchlin Currie's work while Currie was at the Federal Reserve Board (1936-1938) and concluded that Currie was important in linking Keynesian ideas to the most important features of New Deal policy.

Comments: William Barber (Wesleyan University) commented on the advantages and difficulties involved in research on living economists. The major advantage is the possibility of using non-conventional research techniques (e.g. interview). Difficulties with interviews, especially in policy research included memory fallability, multiple claimants to authorship of government documents and "tactical anonymity" (differences between economists' public statements and their private advice).

Nicholas Balabkins and Byrd Jones emphasized the value of having the research subjects correct mistakes and provide references to unknown sources.

Clark Warburton's comments on the Bordo-Schwartz paper underscored the point made by Balabkins and Jones.

SESSION IV Classical Economics: The Interpretation of the Last 25 Years — Where does it leave us?

Papers: This session featured Marx, the un-Classical, Cournot the intermediary and an analysis of classical monetary theory by IBM and Durbin-Watson.

David Levy (National Planning Association — "The Existence and Stability of Non-Falsifiable Interpretation Strategies: Classical Monetary Theory and the Modern Commentary") presented a novel approach to adjudicating competitive interpretations of classical monetary theory. He posited that acceptance or rejection of a theory by past economists can be tested by determining whether they accepted (rejected) the problem-solving *implications* of a theory. Levy used this approach to test his contention that classical economists held a real cost monetary theory. Ricardo's refutation of a wage-push theory of inflation and his distribution theory are consistent only with the real cost theory. Levy's time series analysis of the acceptance of (i) a real cost theory (ii) Ricardo's refutation and (iii) his distribution theory by British economists (1750-1915) demonstrated the high degree of acceptance of a real cost monetary theory.

Claude Menard (University of Paris — "From Ricardo to Walras: The Cournot Transformation") posited that Cournot's *Researches* constitute the turning point from Classical value theory (Smith & Ricardo) to the neo-classical theory (Marshall & Walras). Eschewing the search for the *source* of value and concentrating on values (prices) as actually generated by the market, Cournot focussed on *changes* in relative and absolute values rather than on their *levels*. Value theory was hence rendered in terms of mathematical functions to which the calculus could be applied.

The paper by **Richard Wolff, Antonio Callari** and **Bruce Roberts** (University of Massachusetts — "Marxian and Ricardian Economics") argued that Marx and Ricardo produced two different sciences although there were similarities in the topics examined and in terminology used. In particular, Sraffa's solution to the Ricardian transformation problem was seen to be irrelevant to that of Marx. Marx's definition of commodity value changed from volume 1 to volume 3 of *Capital*, and, hence, Marx had already solved the transformation problem.

Discussants: Charles Staley (S.U.N.Y., Stony Brook) noted that the apparent inconsistency in interpreting the Classics, referred to in Levy's paper, is not found in careful modern interpretations and suggested a debt is owed to the "National Planning Association's computer." Staley noted the self-admitted debt of both Marshall and Walras to Cournot as well as the high praise given to Cournot's work by Baumol and Samuelson. He was critical of the Wolff paper for interpreting Ricardo as having a labour-embodied theory of value and he contrasted the paper's analysis of the transformation problem with other studies by Baumol, Sowell and Tucker, only the last of which concluded that Marx was a Ricardian.

Richard Romano (Broome Community College) found Levy's paper imaginative but did note that Levy's empirical results depended on the (arguable) interpretations of the works of a large number of economists and questioned the value of giving equal weight to the acceptance — denial of every economist. Romano agreed that Marx and Ricardo did, in some respect, provide different analyses but that, stripped of metaphysics and sociology, Marx would come out a Ricardian.

Comments: Professor Liebowitz (Simon Fraser University) argued that Marx ought to be interpreted from the perspective of his own (Hegelian) method and logic.

Samuel Hollander (University of Toronto) made the comment (re Levy's paper) that, where necessary, Ricardo was prepared to base his distribution theory on a quantity theory rather than a commodity (real cost) theory of money.

Banquet and Presidential Address: One witty and one weighty defense of the history of economic thought were the highlights of the banquet.

Samuel Hollander (University of Toronto), general chairman of the conference, offered three suggestions for the survival of history of thought. An historian should (i) conceal himself in so large and complex a department that nobody knows what he is doing, (ii) write history of thought but pretend to be doing something else (a reference was made to David Levy's paper), and (iii) have someone on staff like Vincent Bladen. Hollander then paid tribute to both Vincent Bladen (U. of Toronto) and William Jaffé (York University) for their contributions to the field.

Carl Uhr (University of California — "On the History of Economics and its Uses") noted the decline in the number of, and importance attached to, graduate courses in the history of thought. Nevertheless, he argued, a grounding in the history of economics can provide (and has provided) perspective as well as inspiration for new theoretical developments though that inspiration may be diffuse and difficult to trace.

SESSION V Topics in the History of Marginal Economics

Papers: This session featured two "not" papers, one "never" and one "once upon a time"; viz, Pareto's Principle was not stated by Pareto, Morishima's Walras is not Walras, Marshall's framework for dynamic analysis has never been properly apprehended and utilized and once upon a time, economics had a real (i.e. non-abstract) profit theory.

Jurgen Backhaus (Virginia Polytechnic Institute — "The Pareto Principle") asserted that Pareto's concept of maximum ophelimity for a community is not equivalent to a maximum social welfare position. While Pareto did not intend to provide a criterion for economic policy, the Pareto principle has been invoked for precisely that purpose. Backhaus also showed that the Paretian principle can be validly used to justify the establishment of a collective order (the state), that the principle does not have an inherent "conservative" bias and it is not incompatible with the principles of liberalism.

William Jaffe' (York University — "More Neglected Aspects of Walras' Theoretical Writings") took Michio Morishima to task for essentially re-writing Walras to make his theories of money and capital, rather than the theory of exchange, the centerpiece of his work. Jaffé stated what may serve as the model response to Morishima's type of work. "From the historian's point of view, the question is not what Leon Walras might have written were he as clear as we think we are, or were he imbued with the same preconceptions and notions of the aims of economics as we have, but to find out what Leon Walras actually did write."

In his paper, **Earl Beach** (McGill University — "Marshallian Economics") contended that, while Marshall did not himself develop a dynamic micro-economic analysis, his concepts of an industry and of increasing returns (which allow of endogenous disequilibrium forces) can be used to develop a realistic dynamic theory and bridge the gap between microeconomics and macroeconomics.

Warren Gramm (Washington State University — "Evolution of Profit Theory") examined the shifts in acceptance of real and abstract theories of profit. "Real" profit (a reward for risk-taking and/or a monopolistic residual) theories were dominant in the 19th century and again in the 1930-1950 period. Abstract profit theory (no unearned residual; rather the result of entrepreneur's opportunity cost calculation) prevailed early in the century and has again become preeminent.

Discussant: Guy Routh delineated two roles of an historian of economic thought — the instrumentalist and the antiquarian. The former tries to show the utility of past theories to present theory development; the latter evaluates past theories on their own merits. The Jaffé paper was of the antiquarian variety, that of Gramm the instrumentalist and the papers by Beach and Backhaus straddled the two roles.

Comments: There followed a brief discussion of the issue of misrepresentation of earlier writers most forcefully raised in William Jaffé's paper. In response to **Tom Rymes'** (Carleton) question of why such distortion occurs, Jaffé suggested it may be the result of inadequate training in historical research techniques. **Warren Samuels** (Michigan State) made a limited case for misrepresenters — that interpretations of what an author meant to say could legitimately arise out of differences in the perspectives of the interpreters and out of ambiguities in the works being interpreted. Jaffé responded that he could not determine what a person means but only what he said he means.

SESSION VI History of Capital Theory

Papers: This session featured three main event prize-fights — capital coefficients vs. distributive shares, Cambridge vs. Cambridge, and time preference vs. productivity. According to the promoters who initiated the bouts the winners were, respectively, Neo-classicus, Karl Marx and Frank Fetter. The judges expressed some dissent with these opinions.

Hans Brems (University of Illinois — "What Makes Saving and Investment Equal?") compared neo-classical and Keynesian models on the issue of what factor adjusts to equate savings and investment. In the former, it is the capital coefficient and the adjustment is on the investment side; in the latter, it is the profits share and the adjustment is on the savings side. In both models there is a Wicksell Effect — a higher savings level leads to a higher real wage rate. Kaldor's Keynesian model imposes a "heavy adjustment burden on distributive shares," not borne out by empirical data for Sweden and the U. S.

Shalom Groll (University of Haifa) "Cambridge versus Cambridge Controversies in Marx's Capital Theory"), examined the Cambridge capital controversies from the perspective of Marxian analysis. Marx solved the problem of capital evaluation by choosing a "unique . . . unit of measure of the value of all commodities" — i.e. labour time. The focus of neo-classical and neo-Keynesian analysis on, respectively, production and distribution, differs from Marx's treatment of them as interdependent. While Marx was aware of the possibility of a double switching phenomenon, he viewed it as a perverse possibility, inconsistent with the normal path of capitalist development.

Gerald O'Driscoll (Iowa State — "The Time Preference Theory of Interest Rate Determination") singled out Frank Fetter's contribution to the debate over whether interest rates are determined solely by time preference or jointly by time preference and (capital) productivity. The Fisherian approach which includes productivity (and which Fetter criticized) has become the dominant one; however, Ludwig Von Mises and Murray Rothbard have adopted Fetter's pure time preference approach.

Discussants: Karen Vaughn (George Mason University re O'Driscoll's paper) raised the issue of why any neglected economist should be resurrected. While Fetter was original and insightful he only presented interesting *clues* as to what his fully developed time preference theory might be; he did not provide the theory itself. The fact that none of the adherents of a pure time preference have developed a complete theory may suggest, she argued, that one simply is not possible.

Shlomo Maital (Princeton) argued the analytic superiority of post-Keynesian distribution theory on three grounds. First, the neo-classical assumption of a savings-investment identity renders the model incapable of explaining inflation or providing a theory of money. Second in the neo-classical model, the distribution of income changes slightly even with large relative factor price changes; hence, "it is useless for determining the impact of inflation and taxes on income distribution." Finally, Maital cited evidence of cyclical and secular trends in factor shares in contrast to Brems argument that shares are relatively constant over time. **Comments:** In response to Maital, Brems argued that indeed, there are *short-run* cyclical fluctuations in distributive shares, but that the neo-classical contention of their *long-run* constancy is empirically verified.

CONTRIBUTED PAPERS SESSION: The following papers were presented in a rather informal session on Friday afternoon.

1. **METHODOLOGY**
   Discussant: Bruno Stein (New York University)
   Papers: Oleg Zinam (University of Cincinnati), "A Master Paradigm for Analyzing Historical Development of Economics: Evolution, Revolutions and Dialectics"
   Tom Cate and **C. R. Fraley** (Northern Kentucky University), "Good Work and Bad: How Economic Thought Progresses"

2. **INSTITUTIONAL — Historical Economics**
Discussant: Laurence S. Moss (Babson College)
Papers: Harland D. Grinde (University of Wisconsin Center — Marathon County), "Cosmopolitanism vs. the National Economy: John Prince-Smith and Frederick List"
Mark Lutz (University of Maine), "The History of Humanistic Economics: From Sismondi to the Present"
Glen Alexandrin (Villanova), "An Institutional Approach to Economic Inquiry in Catherinian Russia: The Free Economic Society"

3. **MICROECONOMICS**
Discussant: Ann Schwier (Southern Illinois University)
Papers: Shlomo Maital (Princeton University), "The Irrationality of Discounting the Future: the Time Preference Controversy in Economic Thought"
Melvin Cross (Dalhousie University) "Arthur T. Hadley's Analysis of Differential Railway Rates and the Theory of the Firm"

4. **MACROECONOMICS**
Papers: Daniel Pope (University of Oregon), "American Economists and the High Cost of Living: 1910-1914"
Glyn Williams (University of South Carolina), "Liberalist Economic Thought on the Role of Unions in Inflation"
Glenn Bottoms and **Duncan Tye** (Western Carolina University), "Marx, Keynes and Kalecki: The Cambridge Connection"
Jacob Cohen (University of Pittsburgh), "The Economic Transaction as the Integrating Concept for Understanding Twenty-Five Years of Monetary Theory"
Mona Dingle (University of Missouri), "Theories of Money Demand and Supply in the United States, 1897-1939"
Thomas Cargill (University of Nevada), "Clark Warburton and Current Monetarist Thought"

SESSION VIII Roundtable on New Resources for Teaching and Research on the History of Economics

Papers: Not surprisingly the triple-T session — translations, textbooks and teach — provoked the most extensive audience participation. That it was the only session on Saturday may have complemented the natural garrulity of people involved in a discussion about themselves.

Kenneth Carpenter (Harvard — "Translations: A Neglected Source") noted that a major difference between modern translations and those of the 18th and 19th centuries was that the latter often included deliberate alterations in the text in order to "nationalize a work." This was done in order to make them useful in the translator's own culture, and to learn from and about other cultures. Carpenter suggested several contemporary uses of translations including the discovery of unknown work of an author and (most commonly) the tracing of intellectual and environmental influence in the history of thought.

S. Todd Lowry (Washington & Lee University — "On Textbooks") listed several functional purposes of the history of thought which have been posited in textbooks: (a) to trace the influence of ideas on economic events (b) to develop in students a healthy skepticism toward contemporary analyses and (c) to "mine the past" for neglected contributions which may provide new insights for modern theory. He noted the growth of subdisciplinary and special-purpose textbooks. The lack of extensive discussion of methodology and the failure to examine the influence of ideas on policy and events were two major shortcomings of contemporary text material.

William Grampp (University of Illinois — "On Teaching") noted the competing instrumental and non-instrumental views concerning the justification for courses in the history of economics. Grampp argued strongly for the latter view — it should be studied, like any history, for its own sake. The instrumental purpose will not serve the student as well as another course in theory and often makes for bad history. In extreme form, the instrumental approach can become a "vehicle for ideology . . ." (making) history conform to its (the ideology's) preconceptions."

Comments: Several people gave examples of the problem of distortion of meaning that arises in *translations* and the effects of such distortion on interpretation of an author's work. William Jaffé succinctly summarized the discussion with the aphorism — "a translation is like a woman — if she is faithful, she is not beautiful, if she is beautiful, she is not faithful." Angry feminists may write to Professor Jaffé at York University, Toronto, Canada.

The discussion of *textbooks* focused on two points — the difficulty of designing and writing the ideal textbook and the current best-seller list of such textbooks. Details on the latter point are here deleted to avoid embarrassment to those not mentioned and possible income tax difficulties to those who were. The general consensus on the first point was that the gap between the ideal and the pragmatic text was too large to be filled.

On the issues of the scope and method of teaching the history of economics, as might be expected, no hint of a consensus emerged.

In sum, for this writer, the highlights of the conference were innovation in Joe Remenyi's paper, ingenuity in David Levy's paper, the wit of Sam Hollander (and his frenzied chairmanship of the conference) and the frustration of trying to summarize 24 papers and the comments of 9 discussants and numerous members of the audience and make it "lively."

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Note: Sam Hollander has remaining some packets of conference papers from the Toronto meetings. Anyone wishing to purchase a packet may do so (as long as supplies last) for $17.00 plus postage.
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