

**ANNUAL MEETING
HISTORY OF ECONOMICS SOCIETY**

**Kress Library, Harvard University
April 16-19, 1980**

Abstracts of Papers Delivered

**LIBERALISM ON THE CONTINENT IN THE
19th CENTURY: A SYMPOSIUM**

Chairman: Gilbert R. Ghez, Roosevelt University

LIBERALISM AND ECONOMICS IN THE HABSBERG MONARCHY

**Stephan B. Bohm
New York University**

This paper argues that in the Habsburg Monarchy the simultaneous occurrence of political and economic liberalism was the exception rather than the rule. The period from the mid-1860s to 1873, the year of the Great Bourse Crash, marked the heyday of political and economic liberalism in 'Austria'. Contrary to a widely held view it is further argued that the founding members of the Austrian School of Economics should not be regarded as unqualified defenders of laissez-faire. It seems, rather, that they are very reluctant to accept the conclusions that can be drawn from their own theories. There is an 'Austrian' liberalism which is deeply rooted in Josephinic traditions whose primary concern was with the abolition of feudal privileges and the organization of the guilds.

THE ORIGIN OF FRENCH ECONOMIC LIBERALISM

**Francis-Paul Benoit
University of Paris II**

Francois Quesnay was the first to understand that in economics there are natural laws. However, he based his theory on a country where most landowners did not themselves cultivate their land. This led to the politically dangerous idea that the owners of means of production are idle.

Jean-Baptiste Say attacked Smith's ideas. He argued that a certain part of the profits comes, not from capital alone as Smith had said, but from the work of the entrepreneur.

Sismondi's fundamental ideas were that the economy is an ethic and that the liberal economy is a political process englobing the state in a role of mediator.

Frederic Bastiat countered the theories of the Saint Simonians on the exploitation of man by man and the class struggle: he stated the "law of economic harmonies". Against the theory of Ricardo and Marx on the increasing pauperization of the working class, he stated the "law of progression of wages".

ECONOMIC LIBERALISM IN ITALY: 1800-1850

Piero Barucci
University of Florence

The debate among Italian economists on economic liberalism during the period 1800-1850 was influenced by three different factors:

- a) the cultural heritage of the Italian economists of the eighteenth century;
- b) the economic conditions of the various states;
- c) the economic policy adopted by the various states.

This paper deals with the debate among economists in four different Italian states. The general concept of the political economy as a science which forms a part of the general science of government emerges as a part of the heritage of the Italian economists of the eighteenth century. This is recognizable either in Lombardy or in Naples, but in Naples, A. Genovesi's influence was mainly mercantilist. In Lombardy, C. Beccaria's and P. Berri's influence was more physiocratic, particularly as concerns the free-trade of corn.

NOTES ON ECONOMIC LIBERALISM IN GERMANY IN THE 19th CENTURY

K. H. Hennings
Technical University of Hanover

In this essay it is argued that despite early translations, Adam Smith's ideas became effective only after they had been adapted to German circumstances between 1790 and 1820. In their modified, undogmatic form they became the dominant set of ideas about proper economic policy among both scholars and civil servants. Adaptation and modification however sapped the strength of opinion, and were responsible for the demise of economic liberalism (along with political liberalism) in the 1860s and 1870s. It is also shown that the German Free Trade movement had a strong but short-lived influence, which also did not survive the political changes of the 1870s.

DISSENT IN ECONOMICS

Chairman: Ann S. Schwier, Southern Illinois University

HENRY GEORGE AND THOSE MOST EVIL PEOPLE — THE ACADEMIC ECONOMISTS

Charles Collier
Hamilton College

The paper examines the reactions of some academic economists to George's ideas. The first section argues that it is significant that the first prominent economist to deal with George's ideas was F. A. Walker. As the "Grand Old Man" of the American economics profession, Walker had his — essentially classical — model well developed. Accordingly, he was in a position to use his model to make a Ricardian attack upon the Georgian concept of speculation — a concept which required land held by speculators to be held idle. The second sec-

tion deals with F. A. Fetter, a representative of the Austrian school, who was instrumental in obliterating the distinction between labor and capital. His argument was that because (in everyday business language) both land and capital were rented, because either could be sold and because the supply of either can be fixed in the short run and variable in the long run, there was no fundamental difference between the two. His conclusion was that the classical Georgian distinction had to be rejected. The third section deals with J. B. Clark, a prime example of American neoclassicism. Clark's debt to George on the issue of marginal productivity theory is established. And, it is argued that Clark's distinction between capital and capital goods was, in large part, a reaction to George's ideas.

Discussant: Richard Harber, University of Illinois

SILVIO GESELL: SMITHIAN, PROUDHONIAN, OR KEYNESIAN?

Mona E. Dingle

Silvio Gesell (1862 - 1930) believed that the manifest advantages of division of labor have been limited by problems inherent in prevailing currency and property systems. Because money is durable, while wares deteriorate, money yields interest, and the periodic withholding of money from circulation causes business crises. Property incomes are inequitable, limit free competition, and inhibit human progress. Gesell sees the solution neither in primitive communism nor in state socialism, but rather in reforms which would improve the competitive environment — specifically, in the issuance of money subject to depreciation ("stamped money") and in state ownership of land and appropriation of rent.

Discussant: Terrence Dwyer, Harvard University

MALTHUS'S ECONOMICS AND ITS EARLY AMERICAN RECEPTION

Mark Perlman

The University of Pittsburgh

Although there was never as widespread a reaction to Malthus's economics as there was to his 1798 *Essay on Population* there was a clear and unmistakable nineteenth century absorption of his economic views.

This absorption can be found both in the academic and in the political policy areas. It is clear that most American economists prior to the mid-'fifties were "pure and simple" Ricardians; one great exception was Daniel Raymond, a lawyer practicing in Baltimore and author of the first American synthesis of economics. Raymond was particularly impressed with Malthus's perception of the importance of protecting the stability of the agricultural sector while the manufacturing sector was being encouraged to grow. Raymond also liked Malthus's cautious or practical attitude towards tariff abolition; indeed, Raymond "progressed" to become a leading academic proponent of tariffs and is said to have explicitly influenced Matthew Carey, Henry Carey, and Friedrich List (all members of the "Pennsylvania School of Political Economy").

On the political policy side, there is some indication that Henry Clay, a leading architect of the inter-regional compromise which dominated American national politics from about 1820 until the mid-1850's, drew his inspiration from Malthus and Raymond.

References are made in some limited detail to various assessments of the development of the economics discipline in America; among some of the names treated in this last regard are M'Vickar, Dunbar, T. E. Cliffe Leslie, Neill, Cady, and Dorrman.

Discussant: Salim Rashid, Dartmouth College

MOTIVES, MANNERS AND WANTS

Chairman: Scot A. Stradley, University of North Dakota

THE IDEA OF ALTRUISM IN THE WRITINGS OF JOHN RAE (1796-1872)

Urs W. Birchler
University of Zurich

Rae's main work, 'Statement of Some New Principles on the Subject of Political Economy' (Boston 1834) is conceived as a critique of Adam Smith. Rae comes to the conclusion that the wealth of a nation is not promoted by individuals guided by self-interest, as suggested by Smith, but by individuals driven by strongly altruistic motives. Wealth, according to Rae, is promoted by two forces: by accumulation and by invention. Both these forces have their roots in certain traits of human character among which altruism is one of the most important. Accumulation as well as invention depend on altruism because both of these activities imply a sacrifice by present living men for the sake of the well-being of future generations. Rae admits that in his time egoism may provide a strong incentive to accumulate private fortune. But in the long run such motives tend to destroy public wealth because sooner or later they lead us to seriously disregard the interests of posterity.

Discussant: Robert H. Deans, Temple University

ALFRED MARSHALL AND THE HIERARCHY OF WANTS

Walter W. Haines
New York University

Marshall thought of wants as deriving from the organic development of human activities rather than as mathematically given in the market place. As persons develop, so do their wants, in a hierarchy that starts with (1) biological needs, and goes on to encompass (2) health, education, and security, (3) friendship, belonging, and conformity with social custom, (4) distinction, (5) activities and excellence, and (6) morality or character. A rising standard of living means a progression upward in this hierarchy rather than a mere increase in material goods or "comfort". Because of this organic growth, economics cannot restrict itself to abstract theory or mathematical manipulation.

Discussant: Harry Landreth, University of Miami

INDIVIDUALISM — AN IDEA IN SEARCH OF A HISTORY

Gerald Sirkin
City College, CUNY

Economics has not investigated the fundamental explanation of economic development and the wealth of nations. The standard prescriptions — freedom from regulation, property rights, accumulation of capital, technological progress, etc. — do not explain why these prerequisites emerge (in varying degrees) in some countries, for short periods of history, and not in others.

A hypothesis to account for these differences among countries and among historical periods relates economic development to the rise and decline of the individualistic ethos. Individualism, when not overlooked, has been misunderstood. The study of the individualistic ethos is a major task for historians of economics.

Discussant: Karl de Schweinitz, Northwestern University

RECONSIDERATIONS

Chairman: Elizabeth Johnson, University of Chicago

ALLYN YOUNG ON "EXTERNAL ECONOMIES"

Charles P. Blicht
Old Dominion University

Alfred Marshall's analytical device of "external economies" and its use in reconciling competitive equilibrium and increasing returns came under severe criticism in the 1920's. Among the major participants in the debate were Frank Knight, Allyn Young, and Piero Sraffa. This paper summarizes the various positions of these discussants. It focuses, in particular, on Allyn Young's illuminating reinterpretation of "external economies" by removing the concept from a particular industrial environment and extending it to the whole economy. Young's definition of "external economies" was incorporated into a sketch of a growth model for an advanced industrial economy. The paper endeavors to explain Young's model and its broader implications.

Discussant: Earl F. Beach, McGill University

MR. KEYNES AND THE CLASSICS: A CLASSICAL VIEW

Roy Rotheim, Skidmore College
Ingrid H. Rima, Temple University

This paper argues that the erroneous view that Keynes' analysis was but a special form of general equilibrium economics is partly attributable to Keynes himself. First, much of the presentation of the *General Theory* gave the appearance of being cast in a general equilibrium mold best understood by neoclassically trained economists. Second, in tracing the origins of his ideas back to Malthus instead of Ricardo, Keynes employed an unilluminating definition of

the "classical school." In it, he included the followers of Ricardo all of whom held a strong commitment to the quantity theory and Say's Law. Had Mr. Keynes instead distinguished between classical political economists, a category in which both Ricardo and Malthus could be included, and the Neo-classical theories of Marshall and Pigou, showing how his postulates, principles, and conclusions compared with each classification separately, much confusion surrounding the meaning of the *General Theory* might have been avoided.

Discussant: Thomas Cate, Northern Kentucky University

**PROPENSITY TO CONSUME OR TO SAVE
AND THE INDUCEMENT TO INVEST**

Arthur Smithies
Harvard University

The Keynesian revolution produced widespread acceptance of the view that a private enterprise economy could not be relied on to attain stable full employment without positive government action to bring about that end. A tenet of the revolution was that a private economy would tend to save too much and so suffer from chronic unemployment rather than inflation. This paper examines the Keynesian system underlying the revolution by distinguishing between the short-run and long-run aspects of Keynes analyses. It is argued that, while the analytic scheme of the *General Theory* is based on distinctly short-run assumptions, some of the most important policies and attitudes related to a much longer run of the economy. A case in point is the Stagnation Thesis, now largely discarded in the professional literature which has never the less entered the political bloodstream and has led to an emphasis on aggregate demand management to the neglect of supply.

Discussant: Richard H. Timberlake

ON D. H. ROBERTSON

Chairman: Donald A. Walker, Indiana University of Pennsylvania

**DENNIS H. ROBERTSON AND THE MONETARY APPROACH
TO EXCHANGE RATES**

Thomas M. Humphrey
Federal Reserve Bank of Richmond

This paper sets out four essential elements of the monetary approach to floating exchange rates and shows what Robertson had to say about each. His writings indicate that he largely accepted these essentials and that he incorporated them into his own analysis of the foreign exchanges. Moreover, with respect to the asset market and rational expectations elements, he contributed insights that are remarkably suggestive of recent work. All in all, his position is consistent with the monetary approach and for that reason he deserves to be recognized as an important early proponent of that approach.

Discussant: Charles E. Staley, SUNY, Stony Brook

ROBERTSON ON ECONOMIC POLICY

John Presley
Loughborough University

Robertson was one of the foremost British Economists, working in Cambridge from 1913 - 1963. He was neither classical or Keynesian; He regarded his work as evolutionary, not revolutionary, but he did make significant contributions to trade cycle theory and economic dynamics. This paper concentrates upon his views relating to the control of inflation and unemployment and emphasises the consistency which is to be found in his writings between theory and policy.

Discussant: Roger W. Weiss, University of Chicago

ROBERTSON, MONEY AND MONETARISM

Thomas Wilson
University of Glasgow

Robertson is one of the most neglected of the great economists of modern times. Various reasons for that neglect are suggested. His views on the role of money are then reviewed and compared and contrasted with those of the modern monetarist school.

Discussant: Jacob Cohen, University of Pittsburg

RECONSIDERATIONS

Chairman: Richard Fritz, University of Central Florida

THE MONOPOLY PARADOX

Karl Zinzendorf on Market Regulation

Michael Wagner
Institute for Advanced Studies, Vienna

During the 1780's, emperor Joseph II launched several experiments in free market competition. These experiments had been hotly debated in advance within the Habsburg administration. Karl Zinzendorf, at this time Comptroller and Auditor General, fervently fought for the introduction of a system of competition unrestricted by guild regulations. Zinzendorf's advice on policy issues was based on the conception that only a perfectly competitive system would generate the lowest sustainable market clearing price. Joseph II endorsed Zinzendorf's views. The practical policy measures, however, failed. The experiments in free market competition were terminated in 1790.

Discussant: Nicholas W. Balabkins, Lehigh University

MERCANTILISM AND THE GREAT CHAIN OF BEING

Michael W. Watts
Indiana University-Purdue University at Indianapolis

The ends of Tudor economic thought are usually taken as power and/or plenty and/or employment. In this paper, it is claimed that across the post-

Reformation Tudor period (1529-1603) economic thought adopted ends which were unique (neither medieval nor modern) and consistent. These ends were associated with the Renaissance version of the Great Chain of Being, emphasizing ideas which Arthur O. Lovejoy characterized as "the principle of plenitude," "imitatio dei," and "the active life." Apart from a concern over historical accuracy, the importance of having a clear understanding of these ends is discussed after a survey of the primary literature.

Discussant: Uwe J. Woltemade, Ohio Wesleyan University

**WILLIAM BEVERIDGE'S ECONOMIC THOUGHT:
SOME ASPECTS OF THE INTELLECTUAL BACKGROUND
OF THE BRITISH WELFARE STATE**

Jose Harris
St. Catherine's College, Oxford

This paper reviews the main features of Beveridge's economic thought, emphasizing his extreme statistically-based positivism and his oscillation between policies of state socialism and *laissez-faire*. It then looks more closely at Beveridge's involvement in the major economic controversies of the 1930s, which provided a key to understanding the intellectual background of the British welfare state. Beveridge's social welfare proposals of the 1940s were considerably more ambitious and authoritarian than is often supposed, and their ideological roots were in many respects contradictory to those of Keynesian economics. These contradictions were blurred by the peculiar circumstances of wartime socio-economic planning; but they re-emerged in the post-war period and have been a continuing source of both political and intellectual conflict in the subsequent history of the British welfare state.

Discussant: Paul Christensen, Wellesley College

THE TRICENTENARY OF RICHARD CANTILLON

Chairman: Claude Menard, University of Paris (I)

CANTILLON'S MACROECONOMICS

Hans Brems
University of Illinois, Urbana

Cantillon saw output as bounded by supply but labor as reproducible. The population the available physical stock of land could support would depend, therefore, on the labor intensity of the necessities required to reproduce labor as well as on the labor intensity of the luxuries demanded by landlords according to their "Tastes, Humours and Manner of Living." Absentee owners — and their ladies — might prefer luxuries with low labor intensity, thus jeopardizing employment.

The paper restates Cantillon's model in simple algebra and solves it for real factor prices, physical outputs and real income distribution, and sustainable employment. The restatement simulates his conclusions.

Discussant: Robert V. Eagly, Amherst, Massachusetts

**RICHARD CANTILLON'S EARLY CONTRIBUTIONS
TO SPATIAL ECONOMICS**

Robert F. Hebert
Auburn University

This paper presents evidence from Cantillon's *Essai sur la nature du commerce en general* (1755) that its author was aware of the effects of distance and area on economic decisions to buy, sell, and produce goods. It asserts that Cantillon made original and lasting contributions to spatial economics, and that he anticipated several recent attempts to integrate space and distance into *general* economic theory rather than ground such considerations in a specialized field of economic analysis.

Discussant: Peter R. Toscano, Loyola University

CANTILLON'S THEORY OF POPULATION SIZE AND DISTRIBUTION

Vincent Tarascio
University of North Carolina

The purpose of this paper is to show that Cantillon had a theory of optimum population size and distribution given natural resource endowments, technology, and cultural factors. Some implications are examined for population growth and decline.

Discussant: Gerald P. O'Driscoll, New York University

THE SEVENTEENTH CENTURY

Chairman: John N. Lenhart, Kent State University

RECENT INTERPRETATIONS OF MERCANTILIST ECONOMICS

Laurence S. Moss
Babson College

My paper treats the significance of recent work by J. Appleby, A. Hirschman, K. Pribram, C. B. Macpherson, J. A. G. Pocock, B. Semmel, K. Vaughn and J. Viner to our understanding of 17th century economic thought. I consider Adam Smith's three claims about mercantilist thought namely, (1) mercantilist thought is analytically weak and devoid of substantive content, (2) mercantilism is ruthless in its treatment of the working class and lacking in cosmopolitan sentiments, and (3) the mercantilists said what was necessary to advance their private fortunes. I then investigate to what extent the recent literature supports or contradicts Smith's three claims. My findings are that while mercantilist thought is not devoid of analytic content nor a sense of how the price system operates, it is largely devoid of cosmopolitan sentiments. Internationalism seems to be an offspring of 18th century social thought.

**JOHN LOCKE AND THE ORIGINS OF
THE LIBERAL THEORY OF JUSTICE**

Barry S. Clark
University of Wisconsin-La Crosse

My purpose in this paper is to show that Locke's theory of justice is relevant only to an economy based on exchange between independent producers. The coherency of his theory cannot sustain the legitimation of the uneven accumulation characteristic of capitalist development. If true, my claim would indicate that MacPherson's portrayal of Locke as a paragon of bourgeois morality is misleading. Similarly, Nozick chose an inappropriate theorist on which to base his moral defense of the inviolability of property rights. When Locke is properly understood, his theory of justice more closely resembles that of John Rawls than that of Robert Nozick.

JOHN LOCKE, LIBERALISM AND THE GREAT RECOINAGE OF 1696

Karen I. Vaughn
George Mason University

John Locke has been accused of advancing a policy that led to the disastrous and chaotic deflationary recoinage of 1696. This paper argues that Locke's position has been misunderstood. It was not naive, outdated or ill-conceived, and most of the worst consequences which followed from the recoinage were attributable to the variations from Locke's policy in the plan actually carried out. I further argue that Locke's policy was supported by a theory of money that was partly positive and partly normative in nature, and that was consistent with his theory of property rights described in his *Second Treatise of Government*.

All papers discussed by Joyce Appleby, San Diego State University

NORMATIVE CRITICS AND NEO-CLASSICAL REFORM

Chairman: William R. Waters, DePaul University

**SELECTED ASPECTS OF THE ECONOMICS OF HEINRICH PESCH:
A PRESENTATION**

Edward J. O'Boyle
Louisiana Tech University

Pesch (1854-1926) was a German Jesuit who, according to Spann, wrote the most comprehensive treatise ever produced in the German language. During his lifetime he published more than 14 books and 100 articles. Only one article has ever been translated into English. His five-volume magnum opus is regarded as the sourcebook for *Quadragesimo Anno*.

This paper presents briefly Pesch's position on these eight issues:

- (1) Who is man?
- (2) What is man's final end?
- (3) What is the goal of the economy?

- (4) What is economics?
- (5) What are the foundations of economics?
- (6) What principles determine wages?
- (7) What is the value paradox?
- (8) What is Pesch's social system of labor?

Discussant: Robert J. Ederer, SUNY, Buffalo

SISMONDI: CLASSICAL ECONOMIC'S FIRST MORAL CRITIC?

Gerald Alonzo Smith
Mankato State University

Though Sismondi was a pioneer in more than one area of classical economic theory, in this study his role as an humane and moral critic of that classical economic theory itself is investigated. Sismondi was quite concerned with the emphasis upon maximization of production through specialization that was occurring during his era. He thought that such emphasis could abstract too much from the real purpose of political economy which in his mind was to promote the immaterial as well as the material welfare of all. Using a Greco-Christian view of human nature with its many dimensions, Sismondi objected to the uni-dimensional concern for material accumulation of much classical economic theory of his era (1800-1840).

Discussant: Hans Jensen, University of Tennessee

ALFRED MARSHALL AND GRAND SOCIAL REFORM

John K. Whitaker
University of Virginia

In Marshall's day discussion of "grand", as opposed to "incremental", social reform focussed on questions of socialism and collectivism. The paper, which is part of a planned comprehensive study of Marshall's views on social reform, attempts to describe his attitude to such grand reform. Marshall, an incrementalist, was strongly opposed to "socialism". His critical remarks embrace three different targets, not always clearly distinguished. These are utopian socialism, collectivism, and syndicalism (as represented by the National Guild movement). The criticisms of each are outlined and Marshall's more relaxed views on redistributive taxation are also described.

Discussant: Alfred N. Page, University of Washington