

---

**THE History of Economics Society BULLETIN**

---

Volume VII, Issue 1

SUMMER 1986  
1985

**HES**

The HES Bulletin is published semiannually by  
The History of Economics Society at Vanderbilt University

© Copyright 1986



# Officers of The History of Economics Society

A. W. Coats  
Abraham Hirsch  
Neil de Marchi  
John K. Whitaker  
Mark Perlman  
Laurence S. Moss

1985-1986

President  
President-Elect  
Vice-President  
Past President  
Past President  
Secretary-Treasurer

Executive Committee  
Todd Lowry '86  
Abraham Hirsch '86  
Y. S. Brenner '88  
Malcolm Rutherford '88

Mark Perlman  
A.W. Coats  
John Henderson  
Martin Bronfenbrenner  
John K. Whitaker  
Laurence S. Moss

1984-1985

President  
President-Elect  
Vice President  
Past President  
Past President  
Secretary-Treasurer

Executive Committee  
Abraham Hirsch '86  
Todd Lowry '86  
William O. Thweatt '85

John K. Whitaker  
Mark Perlman  
Samuel Hollander  
Warren Samuels  
Martin Bronfenbrenner  
Laurence S. Moss

1983-1984

President  
President-Elect  
Vice-President  
Past President  
Past President  
Secretary-Treasurer

Executive Committee  
Abraham Hirsch '86  
Todd Lowry '86  
A.W. Coats '85  
William O. Thweatt '85

Martin Bronfenbrenner  
John K. Whitaker  
Dudley Dillard  
William D. Grampp  
Warren Samuels  
Laurence S. Moss

1982-1983

President  
President-Elect  
Vice-President  
Past President  
Past President  
Secretary-Treasurer

Executive Committee  
Donald Walker '83  
Klaus Hennings '85  
A.W. Coats '85  
William O. Thweatt '85

All Communications regarding material for possible inclusion in the HES should be addressed to:

William O. Thweatt, Editor  
HES Bulletin  
Box 206-B, Vanderbilt University  
Nashville, TN 37235

All submissions should be typed and double-spaced.  
Requests for institutional subscriptions, membership information as well

Laurence S. Moss, Secretary-Treasurer  
History of Economics Society, Economics Division  
Babson College  
Babson Park (Wellesley) Massachusetts 02157-0901

## CONTENTS

From the Editor.....	5
Distinguished Fellows: 1985	
Friedrich August von Hyek.....	6 - 7
George Lennox Sharman Shackle.....	8 - 9
H.E.A.-A.E.A. Joint Sessions, New York, December, 1985	
Abstracts of Papers Delivered at the History of Economics Society's Twelfth Annual Meeting at George Mason University, Fairfax, Virginia, May 20-22, 1985.....	10 - 32
Short Papers:	
Ronald H. Coase, Did Marshall Know Where He Was Born?.....	34
Charles G. Leathers, Hobson's View of Sport: A Curious Qualification.....	35 - 37
Bradley W. Bateman, A Note On Researching Keynes's Work In Probability.....	38 - 41
Yngve Ramstad, Echoes of Physiocracy.....	42
Geoffrey Gilbert, The Scrope-Bhagwati Connection: A Correction.....	42
Notices.....	43 - 48
History of Economics Society, Balance Sheet.....	49



**ANNUAL MEETING  
HISTORY OF ECONOMICS SOCIETY**

George Mason University  
Fairfax, Virginia

May 20 - 22, 1985

Abstracts of Papers Presented

**CLASSICAL ECONOMICS (A)**

**Adam Smith's Growth Model**

David Levy

Georg Mason University

No Abstract Received

**The Rise of Ricardian Economics:  
The Politics of Economic Theory, 1813-23**

Mark Levinson

New School for Social Research

No Abstract Received

**Ricardo on the Nationalization of the Bank of England**

John Henderson

Michigan State University

No Abstract Received

**MERCANTILISM**

**Neo-Mercantilism in America:  
Official Thinking in the 1920s and Early 1930s**

William J. Barber

Wesleyan University

No Abstract Received

**The Rise of Mercantilistic Discourse in Sweden  
During the 18th Century**

Lars Magnusson

University of Uppsala, Sweden

The aim of the paper is to place "mercantilism" in Sweden during the age of Liberty in terms of the debates on manufactures and how to promote economic growth and modernization. First, arguments of mercantilist debators and writers for economic regulation and state protection of manufactures is presented, then some of the hidden assumptions--belonging to a certain "vision" of political society--is discussed. One possible conclusion is that it is useful to situate mercantilism within a wider framework and not to draw a distinct demarcation line between a "political" and "economical" discourse as is usually done. This paper considers both sides since Pufendorfian Natural Jurisprudence guarantees they cannot be separated.

**Keynes on Mercantilism**

Donald A. Walker

Indiana University of Pennsylvania

This essay explains and evaluates J.M. Keynes's interpretation of the views of English mercantilists. It is concluded that he performed a major service by his innovative treatment of the topic. By displaying the mercantilists' ideas in relation to the framework of idea developed in the *General Theory*, he showed that they had some theoretical reasoning behind their policy prescriptions, that some aspects of their thought were sound, and that there are a number of similarities between their concerns and his own and between their analyses and his own. Moreover, by perceiving that the mercantilists were primarily concerned with unemployment, he correctly explained their reasoning regarding the balance of trade and their attention to the adequacy of consumption and investment spending.

**METHODOLOGY (A)  
Force or Economic Law?**

Anna Pellanda

University of Verona, Italy

Boehm-Bawerk's essay *Force or Economic Law?* focuses on the dualistic nature of economic phenomena which are of normative and positive character and show that all economic laws are enforced into historical contexts and that all social forces have a rational foundation. The combination of logical knowledge with institutional practice allows us to say that Logic, in Economics, becomes Ontology. This view can help us to escape from the crisis in which Economics falls when considered solely either as an exact science or an historical discipline. Some examples, derived from theories of consumption, money interest and wage determination, are given to demonstrate all the above.



## The Place of Lord Kahn's *The Economics of the Short Period* in the Theory of Imperfect Competition

Andrea Maneschi  
Vanderbilt University

Kahn's Fellowship Dissertation of 1929, never published in English, has recently appeared in an Italian translation with an added Preface by Kahn in which he highlights its main contributions. Kahn modifies Marshall's treatment of the short period by assigning a fundamental importance to market imperfections. These allow firms in depressed industries (such as cottonmilling and coalmining) to work below full capacity while earning a profit over prime cost, whereas under perfect competition they would close down. The existence of market imperfection, represented by downward-sloping firm demand curves, thus permits a higher degree of economic activity in conditions of depression. Kahn's dissertation represents an important (though unrecognized) milestone in the development of the theory of imperfect competition at Cambridge, England.

## Sraffa and Wittgenstein at Cambridge in the 1930's

J.B. Davis  
University of Dallas

This paper investigates points of intersection between philosophy and economics in Cambridge, England in the decade of the 1930's. Attention is focused primarily upon a single representative of each discipline, Piero Sraffa in economics and Ludwig Wittgenstein in philosophy for two reasons. First, these individuals were personally and intellectually acquainted with one another, such that it can be argued that each influenced the thought of the other, as well as succeeding developments in each field indirectly. Second, both were involved in long-range re-direction and reformulation of the thought of their disciplines, so that an understanding of their respective contributions can in part be achieved through a recognition of their mutual influences. This paper maps out some of these important connections.

## METHODOLOGY (B)

### The 'Sophisticated Practical Man': A Missing Figure in Economic Methodology

Abram L. Hirsch  
Brooklyn College

John Stuart Mill used the "practical man" as a foil to show up the virtues of what he considered the appropriate method for economics. We try to show that a more sophisticated version of the practical is well worth looking into.

## Was Jevons a Lakatsonian?

Robert M. Fisher  
Holy Cross University

The paper involves an examination of Jevons' *Theory of Political Economy* as the foundation for a Lakatosian research program and some discussion of Jevons' explicit methodological recognition of the nature of his contribution. The view is that Jevons' methodological perspective was fairly similar to Lakatos' and that he might be thought of as a precursor in this sense.

## Methodological Implications from the Linguistic Structure of the Marginal Revolution

Richard G. Fritz, University of Central Florida  
and

Clyde A. Haulman, College of William and Mary  
No Abstract Received

## UNFAMILIAR TERRITORIES

### A Japanese Version of Two Karl Marxes: The Heritage of Kozo Uno Revisited

Anghel N. Rugina  
Northeastern University

Kozo Uno believed that if we allowed *Das Kapital* of Karl Marx to remain the way it was written then a number of inconsistencies and even contradictions are inevitable. His solution was to draw a clear line between pure science and ideology in the Marxian heritage. As a result of this he proposed a new methodology whereby the study of Political Economy is composed of: 1. The Theory of Pure Capitalism; 2. The Theory of the Three Stages of Capitalist Development (Mercantilism, Liberalism and Imperialism); and 3. Empirical studies on current aspects of capitalism. There are several questions that can be raised in regard to Uno's methodology which require more work in an attempt to remove inconsistencies and thus open the path toward an improved, future version of the *Dialectic of Capital*.

### The Introduction of Western Economic Ideas into China

Paul Trescott, Jian Ye Wang and Zhihie Yan  
Southern Illinois University  
No Abstract Received



## Ivan Vernadsky: An Early Ukrainian Student of Italian Economics

I.S. Koropecyk  
Temple University

In his 1849 monograph, Ivan Vernadsky surveyed the development of economics in 16th-18th-century Italy. He considered Italian economists superior to their counterparts in other countries because they were first to apply the analytical approach. He classified them into mercantilist, physiocrat, protectionist, and industrial (to be called, classical) schools. According to Vernadsky, replacement of one school by another represents progress in economics reflecting the changing relationship between labor and ownership which takes place under exogenous influences. Vernadsky was an uncompromising adherent of laissez-fair in economics and liberalism in politics and analyzed Italian contributions from those points of view. His work shows the author's profound understanding of the field and a good intuition as to its future development. It is important to point out that Vernadsky's views are very similar to those of Joseph Schumpeter, one of the greatest economists who was also the foremost authority on Italian economics.

### CLASSICAL ECONOMICS (C)

#### The Two Adam Smith Problems: Boundary and Orderliness of Economy and Society

Elias Khalil

New School for Social Research, New York

This paper challenges the resolution of the 'Adam Smith Problem' by the editors of the *Glasgow Edition*. While the earlier debate was conducted within a 'reductionist' frame, the new orthodoxy have interpreted the individual in society within a 'functionalist' frame. The editors of the *Glasgow Edition* have overlooked Smith's emphasis on an asymmetrical nature of virtues. As a result, they have treated conscience as an internalization of the impartial spectator similar to the virtue of self-command. This means that the virtues of prudence (self-interested man acting justly) and beneficence are pursued in order to gain the praise of the spectators. The 'interactionist' interpretation of beneficence and prudence are pursued for-itself. Thus, we have two distinct spheres: Economy and Society. This resolution of the 'Boundary' problematique splits the Orderliness problematique into two: The role of the 'visible hand' in Society ('general rules') and in Economy (the state). The Orderliness problematique is resolved when one recognizes that Smith does not argue that the operation of the invisible hand will achieve a perfect order or will actualize the absolute rationality of the Author of Nature. Otherwise, there is no History.

## Natural Price, Justice, and the Impartial Spectator: A Study of the Normative Roots of Smithian Value Theory

Jeffrey T. Young  
St. Lawrence University

The purpose of the paper is to show that the normative elements of Smith's natural price can be derived from the principles of human behavior and morality developed in the *Theory of Moral Sentiments*. The argument follows three paths. First it is demonstrated that individual behavior in the market is governed by the rulings of the impartial spectator. Second, it is shown that Smith's theories of justice and property rest on spectator principles and that when exchange takes place at the natural price no one is unfairly deprived of his right to dispose of his property as he sees fit. The first two points lead to the conclusion that natural price is a fair or just price. Third, it is shown that natural price leads to a socially beneficial allocation of resources in that it maximizes the total product. The latter point by itself represents nothing new. However, it is possible to show that Smith's social welfare criterion rests on his spectator theory via its connection to the concept of "natural reason."

### The Labor Theory of Value as a Theory of Distributive Justice

Barry S. Clark  
University of Wisconsin, Lacrosse  
No Abstract Received

### RECENT ECONOMIC THOUGHT (A)

#### The Single Price Theorem

Daniel Fusfeld  
University of Michigan  
No Abstract Received

#### The Tricky Problem of Income Distribution

Y.S. Brenner  
University of Utrecht

Theories of income distribution are theories which explain the mechanisms by which the national income is distributed between groups and individuals in the economy. Two approaches to the theory of distribution can be distinguished; the 'social surplus' approach and the 'demand-and-supply' approach. The 'social surplus' approach found expression in the works of the English classical economists, in Marx and recently in Post-Keynesian theories; the 'demand-and-supply' approach in the theories which relate



distribution to the interaction of supply and demand through price variations. The paper traces the development of both trends of thought from the classical era to the present and concludes with some general observations by the author.

### **G.B. Richardson on Information and Investment**

Brian J. Loasby

University of Stirling

This paper is a summary presentation of Richardson's analysis which was published in 1960.

Richardson argued that the perfectly competitive model is a misleading policy guide, since it cannot generate the information which agents need to achieve or maintain equilibrium. The effective operation of markets depends on limitations of knowledge and institutional arrangements, which are normally labelled imperfections. Furthermore, the assumed complete initial listings dare not available, so that effective competition implies discovery and creation. Since the future is unknowable, diverse opinions must be weighted: capital market imperfections provide a weighting system.

### **Debreu's Impact on Empirical Work: An Empirical Test**

Arthur M. Diamond, Jr.

Ohio State University

The usefulness of general equilibrium theory to empirical researchers is examined by analyzing the articles that cite the leading general equilibrium theorist, Gerald Debreu. For the period 1966-1980 Debreu has the 12th highest total citation count among the 22 economists who received the Nobel Prize from 1969 through 1984. Of a random sample 88 articles that cite Debreu only 5 are even marginally empirical. To test for an indirect effect on empirical research a subsample of 10 of the theoretical articles citing Debreu was randomly selected. Of 70 articles citing the 10, only 3 were empirical, indicating that the indirect effect is not large.

### **NEO-LIBERALISM**

#### **Ordo Liberalism and Southern Agrarian Political Economy: The Common Thread**

William F. Campbell, Louisiana State University  
and

Andrew W. Foshee, McNeese State University

During the 1930s, the Southern Agrarians, centered at Vanderbilt University, and the Northern Distributists provided an apologia for a decentralized society grounded in the

values of ordered liberty rather than abstract individualism. The concurrent development of a body of decentralist thought known as Ordo Liberalism at the hands of Wilhelm Roepke and a number of other European economists and sociologists went unnoticed by these two groups. However, "The Pillars of Agrarianism" of Ordo Liberalism are virtually identical: small property, federalism, and what Roepke called "rootedness." It is argued that these "pillars" form the common thread of a conservative decentralist political economy.

### **The History of Neoliberalism**

Gerrit Meijer

University of Amsterdam

An outline is given of the historical development of neoliberalism and its development in several countries (Austria, Germany, England, United States, Italy, France, Switzerland and the Netherlands). Only the main features come up for discussion. Neoliberalism is characterized by the choice of the free exchange economy. Neoliberals advocate an economic policy including the accomplishment and maintaining of an economic order, in which the price-system functions as well as possible and, if necessary, systematic intervention in the economic process, without eliminating or paralyzing the price system.

### **The Kingdom of God:**

#### **A Sketch of the Mormon View of the Kingdom of God, 1830 to 1985**

Stephen J. Thompson

Congressional Research Service  
The Library of Congress

The Kingdom of God is one of the most pervasive and powerful concepts associated with the Church of Jesus Christ of Latter-day Saints (Mormons or LDS Church). It helped spark the rapid growth of membership in the new church, and it still is a potent force in the lives of Mormon Church members. The Mormon concept of the Kingdom of God is laden with political and economic content: for the conduct of an individual's life, for the conduct of Church affairs, for Mormon views about the role of governments and nations, and for perspectives on future events. This paper sketches three distinct phases in the development of the Kingdom of God concept from the organization of the Mormon Church in 1830 to the present time.

### **INVITED LECTURE**

#### **Variations on Some Ricardian Themes**

James M. Buchanan

George Mason University



## CLASSICAL ECONOMICS (D)

### On a Difference Between Smith and Ricardo on Price: A Criticism of the Current Interpretation

Pier Luigi Porta  
University of Milano

The idea that Ricardo criticized Smith for maintaining an "adding up of components" theory of price has gained currency. The phrase itself, coined by Piero Sraffa, has turned into a cant phrase to Ricardologists. This paper shows that the adding up concept can only be explained in the light of capital theory debates of the latter half of last century, while the difference between Smith and Ricardo on price is of a different nature.

### Adam Smith's Theory of Value Revisited: Setting, Purpose, Categories

Hans E. Jensen

The University of Tennessee, Knoxville

This paper contains the following interpretations of Adam Smith's theories of exchange, value and price. (a) Production is the premier process in the economy because goods are the principal source of human welfare and happiness. (b) In Smith's model of capitalism, production is facilitated by division of labor in a process in which output is created by labor and value occasioned by its (labor's) embodiment in commodities. (c) Division of labor results in exchange transactions in the market place. (d) Market prices are determined by demand and supply under conditions of competition. (e) Each price is established in such a manner that it becomes a faithful reflection of one of those exchange ratios that is brought about by embodied labor.

## AUSTRIAN ECONOMICS

### Time and Equilibrium: Hayek's Notion of Intertemporal Equilibrium Reconsidered

Stephan Boehm  
University of Graz

The purpose of the paper is threefold: First, to establish briefly the nature of the doctrinal link between Hicks's and Hayek's pioneering work on the concept of intertemporal equilibrium. Secondly, to present an overview of the recently emerging neo-Ricardian (Garegnani, Eatwell and Milgate) reading of the history of economic

thought in terms of the central categories of "theory" and "method." Thirdly, and most important, to point out that owing to its subjectivist quality Hayek's notion of intertemporal equilibrium is radically conceptually different from the modern neoclassical formulation *a la* Debreu. The main conclusion is the neo-Ricardian strictures are misspecified in the case of Hayek.

### Roundaboutness and Productivity in Böhm-Bawerk

M. Northrup Buechner

St. John's University, New York

Today's most popular defense of Böhm-Bawerk's doctrine of the greater productivity of more roundabout methods is the principle that men will only select a more roundabout method if it is more productive. Böhm-Bawerk explicitly rejected this defense, holding that the round-aboutness-productivity relation exists prior to any selection and is inherent in the nature of production. He held that the truth of his doctrine is given directly in the facts and is explained by the accumulation of natural forces in material objects. An examination of his concept of natural forces shows that it will not support his reasoning.

### Subjectivism and American Institutionalism

Mark Perlman

University of Pittsburgh

Two ideas dominate this paper. The first is that although American first generation Institutional writers (Veblen, Mitchell, and Commons) tended to attack some of the beliefs (like commitment to the allocative efficiency of the free market) held by orthodox economists, including particularly those advocating the contemporaneous Austrian tradition, the three aforementioned institutionalists' criticism of the Austrians was that their views on subjectivism did not go far enough. Mitchell, in particular, criticized Menger's and Wieser's 'psychologism,' which eschewed the investigation of how the mind works (what today would be called cognitive psychology).

The second idea is that Professor Hayek's unaware and unattributed parallelism, as found in his *Law, Legislation, and Liberty* (1973), to Commons' earlier perception of institutions (collective action in control of individual action) suggests a recent further convergence of the two presumably opposed schools' views. The two used very similar arguments and almost identical language to show how subjective processes are socially constrained, yet are manifested by price signaling in the market place.

### A Critique of Some Austrian and Monetarist Doctrines: On the Utility and Value of Money

Richard Timberlake  
University of Georgia  
No Abstract Received



## THE ECONOMICS PROFESSION

### Foundations' Money and Directions of Research in Economics During the Interwar Period

Erline Craver Leijonhufvud  
California State University at Northridge  
No Abstract Received

### Initiation Rituals in the Economic Profession

David Colander, Middlebury College  
and  
Arjo Klamer, Wellesley College

In this paper we want to develop the idea that economists form a profession. We suggest that the anthropological concept of a tribe is useful for this purpose. Economists distinguish themselves from other tribes possibly through some code of behaviour but certainly through the way they talk and through what they talk about. Economists impose upon each others a discipline that forbids certain questions and prescribes certain methods of reasoning and a particular language. Membership comes only after a series of initiation rituals in which the discipline is taught by the tribes people. We think especially of the rituals of graduate school in economics.

We want to learn more about the discipline of the economic profession through the experiences of graduate students. Through a series of interviews with graduate students of a selected group of universities (Harvard, MIT, Columbia, Princeton, Yale so far) we want to find out the changes and pressures that graduate students experience in their thinking during the initiation rituals and how they adapt to the world of economists.

This paper will report our findings.

### Contemporary Economics Schools: Moral Commitments and Policy Directions

E. Ray Cantebury, Florida State University  
and  
J. Robert Burkhardt, University of Kentucky  
No Abstract Received

## MARX AND MARXIAN ECONOMICS

### The Smithian Roots in Early Writings of Hegel and Marx

James P. Henderson  
Valparaiso University  
No Abstract Received

### Marx's Category of Exploitation and Its Relationship to Alienation

John Elliott  
University of Southern California  
No Abstract Received

## INSTITUTIONALISM

### Institutionalism, Underconsumptionism and J.A. Hobson

Malcolm Rutherford  
University of Victoria, B.C. Canada

This paper investigates the development of underconsumptionism within the institutionalist tradition in general, and J.A. Hobson's role in this development in particular. It is argued that Hobson had a considerable influence stretching back to 1904 and Veblen's *Theory of Business Enterprise*, but that the widespread adoption of underconsumptionism among institutionalists in the 1930's resulted not just from Veblen's or Hobson's influence, but also from the development, during the late 1920's, of arguments which allowed underconsumptionism to be more easily reconciled with other long standing institutionalist themes, particularly that of technological change. In this, the work of F.C. Mills is found to have been of special significance; the resulting synthesis of ideas being seen in the works of J.M. Clark, Rexford Tugwell, and H.G. Moulton and Edwin Nourse.



## John R. Commons and the Democratic State

J. Dennis Chasse

State University of New York/Brockport

Beginning with his earliest years, Commons developed and elaborated a conception of the democratic state as the institution that controls and regulates the use of violence as an incentive. It must control its own officials as well as private citizens, and this implies a structure of responsibility, of checks and balances that becomes the "legal foundation" for capitalism. It also creates the possibility that the democratic state can be an active liberating force in social development. This conception is examined and evaluated briefly by comparing it with contemporary "mainstream" and marxist views of the state.

## A Pragmatic Holist's Quest for Knowledge: The Scientific Methodology of John R. Commons

Yngve Ramstad

University of Rhode Island

In this paper it is shown that John R. Commons's methodological views, as outlined by him in *Institutional Economics*, accord almost exactly with the precepts associated with the so-called "holistic method." It is further shown that Commons consistently communicated his "knowledge" in accordance with part-whole "explanation." It is argued that much of the confusion readers have experienced in grasping what Commons was driving at is attributable to unfamiliarity with his methodological commitments. When the underlying holistic precepts are kept in mind, Commons's seemingly disorganized narrative can be seen to actually be quite systematic.

## RECENT ECONOMIC THOUGHT (B)

### The Dynamics of Hicks' Economic Dynamics

O.F. Hamouda

University De Sherbrooke (Quebec)

In this essay, the author sketches the development and the evolution of Hicks' theory of economic dynamics. The focus is on the different definitions of dynamics as well as various methods of analysis used by Hicks in approaching the problem of change. It is explained how Hicks became very critical of the theory he has built over the last decades. However, he did not reject it altogether. Hicks still believes that there are certain circumstances where his equilibrium theory can be accommodated and used safely, but that, overall, one should be careful to not rely too much on such mechanical constructions. It is argued that although Hicks has not succeeded in providing us with a satisfactory non steady state theory of dynamics there is, however, a positive aspect to his work in making us aware of the difficulties involved in dealing with economic dynamics.

## A Comparison of American and English Monetary Economics During the Radcliffe Period: External and Internal Histories

Nancy J. Wulwick

LeMoyne College

Analysing the evidence of the American and English monetary authorities presented to the Radcliffe Committee, the essay contrasts the concepts of money, theory of a monetary economy and technical operations of monetary policy in the two countries during the 1950s. Much consistency appeared between the theoretical and operational aspects of the respective systems; it made sense to analyse the federal reserve system in terms of neoclassical synthesis; why the English had their discount mechanism and liquid asset ratio was comprehensible, as Paul Samuelson has said, in the framework of Keynes' 'Model T version'. Yet, could each monetary system have been described using the other's theoretical framework? If not, the essay propounds, what is the demarcation and interaction between external history and economic analysis in the Radcliffe evidence?

## KEYNES (A)

### What Aspects of Keynes's Economic Theories Merit Continued or Renewed Interest?

Warren J. Samuels

Michigan State University

Keynes must be appreciated for having established macroeconomics as a problem and a field in its own right; for having identified how arguably optimal microeconomic performance can be dysfunctional macroeconomically; and for having stressed the role of fallacies of composition, lack of effective demand, and so on, in the determination of aggregate income levels possibly at less than full employment. Emphasis is placed on the avoidance of problem-finessing assumptions and on realism, especially in contrast with neo-Walrasian and New Classical economics research programs.

Followed by a Panel Discussion between  
Warren Samuels, Robert W. Clower (UCLA) and Edwin Burmeister  
(University of Virginia)



## AMERICAN NEO-CLASSICAL ECONOMICS

### Allyn Young and the Public Utility Regulation Debate

Charles P. Blitch  
Old Dominion University

Traditionally two practical issues have outranked all others in the regulation of public utility rates. First, what is the appropriate rate of return upon the investment, and second, what value should be placed on the property taken as evidence of the investment? It was in connection with the latter problem, the rate base, that an earlier controversy took place. It involved the question of whether or not the physical assets comprising the investment should be valued, for the purpose of rate control, as though they were new, or should their value be depreciated due to age and wear? On its face an argument that the value of investment should be undiminished by a deduction for depreciation seems too absurd to warrant serious attention. However, since support for this position came from a well-known economist, Allyn A. Young, the argument cannot be dismissed lightly. This paper reviews Young's position and its relevance for modern regulatory policy.

### Catholic Social Teaching and the U. S. Economy: A Knightian Interpretation

J. Patrick Raines and Clarence R. Jung  
University of Richmond

An examination of the 1984 Pastoral Letter from the Catholic bishops of the United States in terms of the exegesis of that letter which might have been expected of Frank Knight. Not surprisingly, the paper finds that Knight would have been highly critical of the bishops' proposals, based as they are on departures from the free market mechanism. However, the paper notes basic views of the bishops which might coincide with Knight's; specifically, views on the importance of human dignity and the morally beneficial aspects of labor.

### Frank Knight on Preachers and Economic Policy

William S. Kern  
Franklin and Marshall College

On November 11, 1984, the Council of American Catholic Bishops issued their long awaited pastoral letter on the American economy. This document promises to be an influential one in that it is likely to provoke further discussion of American policy and capitalism as a social system. Further, it is another indicator that clerics in general have begun to concern themselves increasingly with social issues as well.

In light of this, it is of interest to examine the perspective of Frank Knight on the appropriate role of religious spokesmen and religious thought in discussion of economic policy. Knight's views reveal he was highly critical of preachers' abilities in this regard. Many criticisms which he raised about preachers in his day may be levied against the Bishops.

Also examined are Knight's views on religion and its place in the market society, particularly his discussion of the "fundamental dualism" of American thought and culture, i.e., the side by side existence of two contrasting ethical systems--the "business is business" ethic, as Knight described it, and the Judeo-Christian perspective.

## 19th CENTURY NEO-CLASSICAL ECONOMICS

### Alfred Marshall as Professor of Political Economy at Cambridge (1885-1908)

Peter Groenewegen  
University of Sydney

The centenary of Marshall taking up his appointment as Professor of Political Economy at Cambridge provides an opportunity to examine his role in this post. In stark contrast to his role as economic theorist this aspect of his life has hardly been discussed. Keynes (1924) devoted relatively little space to it in his obituary; Whitaker (1972) has given an extensive discussion of Marshall's role as teacher of economics at Bristol and Oxford but provides only few details of Marshall's first five years as Professor at Cambridge; McWilliams-Tullberg (1975) has examined in some depth one feature of Marshall's professorial career associated with his changing views on the women's education and degree question at Cambridge. Little else seems to have been written on this important part of his life, the period during which the status of economics as a separate academic discipline was so much enhanced by Marshall's own efforts (Coats, 1967, 1968). This paper sets out to fill this gap, partly as an exercise in Marshall biography and partly because as Skidelsky (1983) has recently noted, a biographical dimension is required to explain what Marshall was trying to do in Cambridge after his appointment to the chair.

### J.E. Carines and an Unreconciled Competitive Market Anomaly

Louis H. Henry  
Old Dominion University  
No Abstract Received



## **The Methodological Aspect of Marshall**

Ingrid Rima  
Temple University  
No Abstract Received

## **ECONOMIC THOUGHT AND POLICY**

### **Macroeconomics in the Truman Administration**

Craufurd D. Goodwin  
Duke University  
No Abstract Received

### **American Macroeconomics in the 1940s: The Professional Dialogue**

John Lodewijks  
Wake Forest University

There is a dearth of treatment of the development of modern macroeconomics from a history of thought perspective. This paper analyzes the American macro discussions of the 1940s using *AER* articles as source material. Topics covered include the Hansen Seminar, Reactions to American Keynesianism, Automatic Stabilizers, Wage-Price Policy, and the NBER-Cowles debate. We conclude that there was a strong methodological tension throughout the period concerning the relation between quantitative economic research and explicit formal theory. Further, an Americanized version of the *General Theory* seems to have developed, with institutionalist elements having survived within the Keynesian tradition.

### **Theorising About Employment in Dutch Official Circles: 1965-85**

A.H.G.M. Spithoven  
University of Utrecht

The paper reviews Dutch official thought on employment under different governments in periods of labour-shortage and in periods of high unemployment. It does so on the basis of the various medium term policy "White Papers". It reveals the stabilizing influence of the models employed by the government's Central Planning Office and the effect of the dominating political position of the confessional center party in all

coalition governments during the period under discussion. It also deals with the consequences of several specific labour-market policies which were adopted in this period and analyses the various models used by the Central Planning Office upon which these policies were based.

### **The Discipline of Economic History in Britain Between the Wars:**

#### **Social Science and Public Policy**

General M. Koot  
Southeastern Massachusetts University

This exploratory paper outlines how the discipline of economic history in Britain during the interwar period consolidated itself as an independent academic subject which continued many of the themes suggested by the earlier historical economists. Echoes of the late nineteenth century *Methodenstreit* could still be heard even in the work of J.H. Clapham, the most orthodox among twentieth century economic historians. Others, such as J.L. and Barbara Hammond, G.D.H. Cole, E. Lipson, and R.H. Tawney, used their economic history to provide a critique of the assumptions of beneficent individualism, perfect competition, and the inevitability of long run equilibrium. Instead, their economic history was a brief for the creation of a social-democratic and/or neomercantilist Britain. Before the triumph of J.M. Keynes and his followers, the economic historians kept the tradition of a *political economy* before the public eye through economic history in spite of the fact that it had become an academic discipline.

### **KEYNES (B)**

#### **Keynes as a Monetary Historian**

D.E. Moggridge  
University of Toronto

As well as making monetary history, Keynes wrote about it at some length. In this paper, I examine three cases where Keynes made a substantial excursion into monetary history - his discussions of the impact of Spanish Treasure, the Great Depression and the 1919-20 boom in the *Treatise* - and compare his views with more modern scholarship. Overall, Keynes does not come out too badly, except, interestingly enough, in cases where if he had used the then available statistics with more care.



## Keynes and Econometrics

John Pheby  
City of Birmingham Polytechnic

A growing secondary literature has emerged that deals with Keynes' criticisms of Tinbergen's early econometric work on business cycles. The literature is usually divided between those who regarded Keynes' comments as foolish and mistaken and others who see perceptive criticisms of econometrics in them. One thing that unites the bulk of this literature is their emphasis upon so-called "technical" issues, e.g., multicollinearity, identification and omitted variable bias. This paper argues that Keynes' doubts concerning Tinbergen's work were more fundamentally "methodological." He was concerned with questions of induction, testability and the broader role and purpose of econometrics. When considering his *Treatise on Probability* we can discern themes that recur in his criticism of Tinbergen. These more methodological doubts are interesting because they form the basis of some of the criticisms currently being made of econometrics.

## J.M. Keynes and D.H. Robertson: Three Phases of Collaboration

John R. Presley  
Loughborough University

The paper attempts to view the working relationship between Keynes and Robertson before 1940 as three distinct phases. In so doing it avoids the inclination to concentrate upon the later period during the writing of the *General Theory*. The relationship between these two eminent economists was much closer not only for 1910-15 but more importantly for the 1920's than it was in the 1930's. It attempts to demonstrate the existence of a much longer gestation period for the *General Theory* than one gathers from contemporary literature. Whilst not suggesting that the pre 1931 period deserves equal treatment, it was nevertheless productive in carrying economics forward beyond the classical system and there were few economists more pioneering in this respect than Keynes and Robertson.

## German Reviews of the General Theory

Juergen Backhaus  
Auburn University  
No Abstract Received

## METHODOLOGY (C)

### A Panel Discussion

Panel: Donald McCloskey, Lawrence Boland and Alexander Rosenberg  
Interlocutors: D. Wade Hands, Neil de Marchi and Uskali Maki

## CONTINENTAL AND AMERICAN ECONOMIC THOUGHT

### Schumpeter and the Supply-Siders on Say's Law

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

It has recently been asserted that Schumpeter was, in modern terms, a "supply-sider" whose economics relied upon Say's law. We show that while Schumpeter argued that Say's law was valid if properly interpreted, substantial differences exist between his view of it and the interpretation of supply-siders. Given the nature of these differences, Schumpeter would have extended his charge that Say suffered from the "Ricardian Vice" to the modern supply-siders. The claim that Schumpeterian economics relied upon Say's law is rejected. We conclude that Say's law as interpreted by Schumpeter has little relevance in the dynamic character of the Schumpeterian theory of economic development.

### Precursors on Pareto and Fascism

Ann Schweier and Jerome Schweier  
Southern Illinois University  
No Abstract Received

### Henry George and Labor Unions

Frank Genovese  
Babson College  
No Abstract Received



The following served as Discussants at the Conference:

Juergen Backhaus	Abraham L. Hirsch	Mark Perlman
William J. Barber	Thomas Hyclak	Bette Polkinghorn
Christian Bicchieri	Hans Jensen	Pier Luigi Porta
Stephen Bohm	Clarence Jung	Ingrid Rima
Royall Brandis	William S. Kern	Roy Rothheim
Y. S. Brenner	Arjo Klamer	Malcolm Rutherford
Bruce Caldwell	Don Lavoie	Warren Samuels
E. Ray Canterbury	David Levy	Charles Staley
James Y. Chang	Brian Loasby	Scot Stradley
Robert Clower	John Lodewijks	William O. Thweatt
A. W. Coats	S. Todd Lowry	Richard Timerlake
David Coldander	Andrea Maneschi	Gianni Vaggi
Neil de Marchi	Donald Moggridge	Karen Vaughn
Karl de Schweintz	Laurence Moss	John Whitaker
Peter Groenewegen	Richardo Nanto	Nancy Wulwick
Wade Hands	Charles F. Peake	Jeffrey T. Young
John Henderson		

The following served as Chairpersons at the Conference:

Charles Blith	John Henderson	Anghel Rugina
Royall Brandis	Abram L. Hirsch	Warren Samuels
Y. S. Brenner	Leonard Liggio	William O. Thweatt
Bruce Caldwell	S. Todd Lowry	Paul B. Trescott
E. Ray Canterbury	Laurence S. Moss	Karen Vaughn
Elizabeth Durbin	Bette Polkinghorn	Donald A. Walker
Frank W. Fetter	Ingrid Rima	John Whitaker
Daniel Fusfeld		

The following took part in Panel Discussions:

Lawrence Boland	D. Wade Hands
Edwin Burmeister	Uskali Maki
Robert Clower	Alexander Rosenberg
Neil de Marchi	Warren Samuels

The Presidential Address given by Mark Perlman entitled: "Perceptions of our Discipline: Three Magisterial Treatments of the Evolution of Economic Thought," will appear in the Winter issue of the *Bulletin*.