

History of Economic Thought Society of Australia
Eighth Conference
University of Queensland
12 - 14 July, 1995

Conference Organisers:

Peter Burn and Bruce Littleboy

Department of Economics
University of Queensland
BRISBANE QLD 4072

Conference Sponsors

*History of Economic
Thought Society of Australia*

*Department of Economics
The University of Queensland*

Commonwealth Bank of Australia

PROGRAMME

Wednesday 12 July

Foundations of Economic Thought
9.20am to 10.50am

How Theory Came to Classical Economics
William Coleman

Intellectual Origins of Mainstream Economics
Gina Wood

Methodological and Political Bases of Petty's Economics
Tony Aspromourgos

Morning Tea

Perspectives on Adam Smith
11.10am to 12.10pm

General Justice in Adam Smith
Jeffrey T. Young

Adam Smith's Intention: The Moral and Political Foundations of the Wealth of Nations
Athol Fitzgibbons

Lunch

Continental Thought
1.00pm to 3.00pm

Leon Walras on Money and Banking
Henry Hilton

Wicksell's Studies of Jevons' Economics at the British Museum
Shigeki Tomo

Endogeneity in Wicksell's Monetary Theory
Peter Docherty

Early Austrian Views of Competition
Tony Endres

Afternoon Tea

Institutionalism
3.20pm to 5.00pm

Scientific Management and the American Planning Experience of WW1
Kyle Bruce

Taylorism in the Works of John Commons
Chris Nyland

Shackle, Entrepreneurship and the Theory of the Firm
Peter Earl

Thursday 13 July

Mill, Jevons and Marshall
9.00am to 10.30am

J.S. Mill: Utilitarian or Liberal?
Oskar Kurer

The Tracks of Time: W.S.Jevons' Statistical Atlas
Michael White

Marshall Biography after Keynes
Peter Groenewegen

Morning Tea

Keynes and Kalecki
10.50am to 12.50pm

Major but Undocumented Influences on Keynes' General Theory
Steven Kates

Kalecki's Early Macroeconomics
Simon Chapple

Divergent Growth and Endogenous Cycles - A Keynesian Reconciliation of Harrod and Hicks
Steve Keen

Keynes and Kalecki: Poles Apart?
Peter Kriesler

Lunch

Keynesianisms
1.40pm to 3.40pm

The Nature and Role of Equilibrium in Keynes' General Theory: An Alternative Perspective
Colin Rogers

The First Post Keynesian: Joan Robinson's Essays in the Theory of Employment (1937)
John King

Malthus: The First New Keynesian?
Michael Schneider

A Marx for Post Keynesians
Steve Keen

Afternoon Tea

Directions for Economics
4.00pm to 5.00pm

Economics and Political Philosophy
Alan Duhs

Value, Price and Welfare
Ian Kerr

Friday 14 July

9.00am to 10.30am

**History of Economic Thought Society of
Australia Annual General Meeting**

Conceptual Explorations
10.30am to 11.50pm

"A conspiracy against the public, or in some contrivance to raise prices" - Lysias against the Corndalers
Geoffrey Fishburn

Leibniz and the Brief Life of Proto-Neoclassical Economics
William Coleman

Rent and Vintage Models
Ted Kolsen and Tim Robinson

Morning Tea

Themes on Labour
12.10pm to 1.00pm

Productive and Non-productive Labour: Genovesi and the Physiocrats
Paul Augimeri

Labour Market Exploitation and the Development of Marginal Productivity Theory
Paul Flatau

Lunch

Figures in Economics
1.40pm to 3.40pm

Thomas Mun, 1571-1641, Commercial Economist
Frank Dunn

Walter Bagehot, Practical Economist
Gregory Moore

Jack Downie's Competitive Process: An Accidental Innovation in Economic Theory
John Nightingale

Technology and the Distribution of the Common Wealth: John Carruthers 1870s' Explanation for Wealth Concentration in the 1980s
Keith Rankin

Afternoon Tea

Australian Economics
4.00pm to 5.00pm

The Early Years of the Australian Economics Community
Grant Fleming

Australian Economists in the Interwar Years
Paul Mooney

SOCIAL EVENTS

Book Launch
Wednesday 12 July
Australian launch of
A Soaring Eagle: Alfred Marshall 1842-1924
by P.D.Groenewegen
5.30pm to 6.30pm
Wordsmiths Cafe
Staff House Road
(Opposite Staff Club)
Light Supper and Drinks

(Sponsored by Edward Elgar Publishing)

Conference Dinner

After Dinner Speaker:
Professor Ted Kolsen

LIST OF ABSTRACTS

METHODOLOGICAL AND POLITICAL BASES OF PETTY'S ECONOMICS

Tony Aspromourgos

William Petty (1623-87) has been widely regarded as one of the outstanding economic writers of the seventeenth century. Of all his contributions to economic thought, he is perhaps most famous for the invention of 'political arithmetic' - an ambitious project for the determination of the empirical orders of magnitude of a vast variety of phenomena relevant to national wealth and welfare. This paper seeks to provide at least a partial explanation for the character of Petty's economics, by reference to the methodological and political bases of his thought. Its principle finding is that - while Petty's economic thought is largely original - the deeper methodological and political convictions which shape his economics are attributable to the influence of Hobbes. This conclusion casts doubt upon a common view that the decisive influence upon Petty comes from Bacon - an error partly due to the interpretation of political arithmetic as a Baconian 'inductive' project. This error is attributable in turn to a crude confusion of inductivism and empiricism.

PRODUCTIVE AND NON-PRODUCTIVE LABOUR: GENOVESI AND THE PHYSIOCRATS

Paul Augimeri

This paper explores two issues raised in the literature on the Neapolitan professor of political economy, Antonio Genovesi (1713-1769): first, whether he was influenced by the Physiocrats, who, since their "school" flourished from circa 1757 to 1770, were his contemporaries; second, whether, as one Italian scholar has argued, Genovesi, independently of the Physiocrats, developed ideas which paralleled those of Quesnay's school.

It is argued that various seemingly physiocratic ideas in Genovesi's work reflect a common influence of earlier authors on both Genovesi and the Physiocrats. Genovesi's proposition that the "secondary arts" live off "the primary arts" (Genovesi 1768: 183), although resembling physiocratic perspectives, is not an identical concept. According to physiocracy, the exclusive productivity of primary industry has the correspondingly exclusive and strict meaning that such industry is the sole source of the *produit net* and hence of the capital required for annual reproduction. Notwithstanding the argument made by Villari, such a concept is not to be found, either implicitly or explicitly, in Genovesi's writings.

SCIENTIFIC MANAGEMENT AND THE AMERICAN PLANNING EXPERIENCE OF WWI: THE CASE OF THE WAR INDUSTRIES BOARD

Kyle Bruce

This paper examines the experience of war planning in the United States during the First World War, focusing on the particular case of the War Industries Board (WIB). It investigates why the US chose largely to abandon the price mechanism during the crisis and replace it with planning the allocation of scarce war resources. The overriding aim of the paper is twofold: to examine the effects that such an experiment had on the thinking of business leaders and economists regarding the respective roles of plan and market under capitalism; and second, to identify the contribution of the scientific management movement to this attempt at planning. The paper builds on Wren's (1987) positive treatment of Taylorist involvement in war planning and seeks to challenge the claims made by Stabile (1985), and more recently by Nelson (1992), that the Taylorists had little impact on the mobilisation effort, and consequently, scant impact on economic thought.

The paper is divided into three parts. Part One examines the intellectual and philosophical milieu of the planning impulse, paying particular attention to the rise of Progressivism and the location of scientific management or Taylorism therein. Part Two focuses on the nature of the war crisis and the apparent failure of the market to accommodate such. To add greater depth to the work of the WIB and to the role of Taylorism in this experiment in planning, the paper will consider the contributions of two of the most significant leaders of the Taylorist movement, Morris L. Cooke and Henry Gantt. Part Three examines the consequences of this planning experience for American political economy, focusing both on its immediate impact on war production and on the thinking of economists, the postwar 'return to normalcy', and the subsequent resurrection of planning in Roosevelt's 'New Deal'.

KALECKI'S EARLY MACROECONOMICS

Simon Chapple

The editor of Kalecki's collected works has argued that there is a revolutionary break in Kalecki's published thinking on macroeconomics sometime around 1932. Prior to then, Kalecki's macroeconomics is supply-side juvenalia, where the saving tail wags the investment dog. My paper takes issue with this interpretation via a detailed exegesis of Kalecki's first three theoretical publications in macroeconomics between 1929 and 1931. It shows that Kalecki's pre-1931 macroeconomics develops a demand-driven view of economic activity much of which is consistent with his later work. Rather than a revolutionary break in content in 1932, Kalecki's breakthrough is rather one of finding the inspired simplification embodied in his simple closed economy profits equation.

HOW THEORY CAME TO CLASSICAL ECONOMICS

William Coleman

This paper explores how the ostensibly empiricist Enlightenment gave birth to the confidently theoretical method of English classical economics. The paper focuses on the role of David Hume and Dugald Stewart in this process. They advocated a method that was empirical in intention and yet in reality strongly encouraged theory. This method was empirical in that it denied any useful role to abstraction, hypothesis or 'useful fiction', and claimed that all law-like principles were no more than general facts. By this assertion of the empirical nature of general principles the Hume-Stewart method encouraged the adoption of the 'method of principles' by British economists in the face of their empirically orientated tradition. Further, by denying that theory had any connection with the hypothetical, the instrumental or the abstract the Hume-Stewart method blurred the distinction between theory and fact, and thereby encouraged the confidence of Classical economics in theory; Hume and Stewart had taught them to see theory, not as theory, but as fact. The Hume Stewart method also restricted the domain of legitimate facts to the everyday, and thereby insulating theory from empirical attack.

LEIBNIZ AND THE BRIEF LIFE OF PROTO-NEOCLASSICAL ECONOMICS

William Coleman

This paper describes the anticipations of the utility-maximisation hypothesis found early in the 18th century among members of the milieu of Leibniz, especially Daniel Bernoulli and Pierre-Louis de Maupertuis. Their roots of their utility-maximising theories in Leibniz's own work are revealed.

ENDOGENEITY IN WICKSELL'S MONETARY THEORY

Peter Docherty

The paper considers the treatment of endogenous money in WickSELL's monetary writings and especially in *Interest and Prices*. It is argued that WickSELL's model does not (and indeed cannot) ultimately contain demand determined money. To properly understand the use of his *provisional* pure credit model in which the money supply is demand determined, one must understand the development of WickSELL's overall argument culminating in the famous *cumulative process*. This argument examines the nature of money, the determinants of its velocity of circulation and the central role of banks in the monetary process and the determination of prices. The paper therefore locates the pure credit model within the context of WickSELL's overall argument to show its essentially provisional and pedagogical nature. Ultimately the model must and does contain an exogenously determined money supply. The paper also argues that WickSELL's work contains two kinds of *cumulative process*, which is only revealed by a proper understanding of the development of the argument in *Interest and Prices*.

ECONOMICS AND POLITICAL PHILOSOPHY

Alan Duhs

Economics and political philosophy tend to lead separate existences in separate university departments. This paper argues that there are gains to be had in the understanding and teaching of economics if the intellectual

divide between these disciplines is bridged. The history of economic thought owes its evolution in part to responses at particular points in time to the enduring questions of political philosophy. A more deep-seated understanding of economics and of HET is therefore available if considered in conscious alliance with the history of political philosophy (HPP).

In short, the argument of this paper is the reverse of Scott Gordon's (JPE, 1978) conclusion that economists have little or nothing to learn from philosophers. The sanguine presumption of contemporary economists that the nature of man is unambiguous and well understood has never been so confidently accepted or asserted in the context of political philosophy. Divisions within contemporary economics (eg between institutionalists and neoclassicists or between social economists and their more orthodox colleagues or between Bauer and Myrdal in the economic development literature) owe their origins to deference to different political philosophers at least as much as they do to divergent views on pragmatic matters of economics.

In paraphrase of Keynes we may conclude that some of the long-dead academic scribblers to whom men of practical action owe their positions were political philosophers, not economists. Or again, in Alexander Grey's words, no theory, once accepted and influential is ever wholly forgotten. Our understanding of HET and of contemporary policy debate in economics would be richer if we cultivated the awareness of this dependence of economics on political philosophy, rather than pretending that there is no harm in quarantining HET and HPP in separate departments.

THOMAS MUN, 1571-1641, COMMERCIAL ECONOMIST

Frank Dunn

Mun went into economics, on the basis of the little then known, to solve new problems of his East India Company. Standing in the inflationary tide of Spanish treasure flowing to the east, he did not develop a theory of monetary equilibrium, but his answers were correct enough even though unproven. His work on the accounting problems of a joint-stock company in its massive ventures produced the first real theories of capital, uncertainty, and liquidity, with limited but sound development of demand, elasticity, foreign exchanges, monopoly, and balance of payments. Their accounting basis provided practicality for later developments, but nagging difficulties in aggregation.

SHACKLE, ENTREPRENEURSHIP AND THE THEORY OF THE FIRM

Peter Earl

The paper explores the relationship between Shackle's work, Coase and the recent work on the resource based view of the firm in strategic management, focusing on gaps in Shackle's vision of entrepreneurship and where he came tantalisingly close to making a much bigger contribution but failed to deliver. Shackle's writings, mainly his work outside the idiosyncratic textbook *Expectation, Enterprise and Profit*, relate to the nature of the firm as an 'institutional means ... of confronting this problem of uncertainty'. In the first section of the paper I consider theoretical complementarities between the institutions of money and firms, focusing on the overlaps of vision of Shackle and Coase. In the second, I examine how entrepreneurship figures in Shackle's work and note how his apparent lack of interest in scope for market failure, despite his all-consuming interest in the phenomenon of uncertainty, seems to have led him not to realize the connection between entrepreneurial activities and the existence of firms. The discussion here takes us increasingly towards the resource-based view of the firm that has begun to displace the Coasian view of the firm in the literature on strategic management. The relationship between this literature and Shackle's lines of thinking is examined in the third section, which is followed by a short concluding discussion.

EARLY AUSTRIAN VIEWS OF COMPETITION

Tony Endres

This paper recovers and enlarges upon some neglected early Austrian conceptions of 'competition' in the work of Menger, Wieser and Böhm-Bawerk. The Austrians did not distinguish between perfect competition and monopoly or between perfect competition and imperfect competition and they were not moved to construct a formal taxonomy of market structures or analyse the properties of competitive equilibrium states. Following the internal logic of Menger's analyses of exchange, price formation and markets, the Austrians envisioned the

essential character of competition as a type of behaviour involving conflict over prices. Menger and Wieser also considered competition over production and a managerial techniques on the supply side. Wieser developed an institutional analysis of competition as a social process in markets where class-based participants were separated by differential buying power. For Menger, Wieser and Böhm-Bawerk competition could not be sundered from bargaining processes. Their conceptions of competition stressed price-making behaviour by individuals (and in Wieser's work also by large firms) who set prices and then altered them in an interactive bid-offer process which involved learning. They regarded competition as a dynamic, faltering human process of rivalry and bargaining. When Hayek later expanded on the meaning of competition as a dynamic process, his contribution acted as a conduit for the transmission of some earlier Austrian insights.

"A CONSPIRACY AGAINST THE PUBLIC, OR IN SOME CONTRIVANCE TO RAISE PRICES" - LYSIAS AGAINST THE CORNDEALERS

Geoffrey Fishburn

Any case for "self-regulation" (as against statutory regulation) of trade must necessarily recognise the potential for abuse of the arrangement by those who have been granted the right, or even encouraged, to self-regulate. In this paper we discuss the circumstances surrounding a prosecution brought in 386 B.C. against certain Athenian corndealers who had at first been encouraged and then, it was alleged, proceeded to abuse, self-regulation. A number of problematic areas in our understanding of Athenian state control and the significance of the grain trade are identified and discussed.

ADAM SMITH'S INTENTION: THE MORAL AND POLITICAL FOUNDATIONS OF THE WEALTH OF NATIONS

Aihol Fitzgibbons

Smith's life work was devoted to the enunciation of an ideal set of constitutional laws and cultural rules. His economic theory was not meant to stand alone, but to suggest the economic regulations corresponding to an ideal system of culture and laws. However political and cultural rules were traditionally supposed to be derived from moral principles; and so Smith's economic theory was based on the same moral considerations that informed his wider system. I sketch how Smith applied his moral theory to account for the behaviour of political states, and show that *The Wealth of Nations* was a thematic exposition of how his moral principles affected economics.

LABOUR MARKET EXPLOITATION AND THE DEVELOPMENT OF MARGINAL PRODUCTIVITY THEORY

Paul Flatau

Labour market exploitation involves unequal exchange that is unjust. In this paper I examine whether a role for the notion of exploitation can be found in theories of distribution associated with the marginal productivity revolution. A common view is that the concept of exploitation plays no role in marginal productivity theories based on a competitive economy model - eg 'free competition tends to give to labour what labour creates, to capitalists what capital creates, and to entrepreneurs what the coordinating function creates' (Clark, 1899). Exploitation only re-enters in neoclassical models, and controversially so, in the Pigou-Robinson model of monopolistic exploitation of labour. The paper highlights the different interpretations one can take of what 'labour market exploitation' can mean and in the light of these different interpretations the role of exploitation in early marginal productivity models.

THE EARLY YEARS OF THE AUSTRALIAN ECONOMICS COMMUNITY

Grati Fleming

Historians of economics interested in the development of the Australian economics profession have focused on the 1920s as the beginning of a genuine Australian economics. However, the 1920s was not the first time that economists and economics enthusiasts had established an association or journal. In the late 1880s and the 1890s the Australian Economic Association was a vibrant scholarly society dedicated to the application of political economy to domestic policy issues. This paper argues that the economic society and journal established in the 1880s was not the beginning of the professionalisation of Australian economics. With

reference to the literature in the sociology of professions and to quantitative data, we suggest that the economic enthusiast of late nineteenth century Australia saw the association as a framework facilitating education in economic matters rather than as an exclusive, definitional occupational association. We then turn to the early years of the Australian economics community and place the development of economic instruction during the twentieth century and the professionalisation of Australian economics in its historical context. Finally, we identify some of the more salient features of the economics community in the interwar period; the importance of the society and journal for professional development, the role of the economist in society, and the community's common language.

MARSHALL BIOGRAPHY AFTER KEYNES

Peter Groenewegen

This paper examines the background to Keynes's famous obituary memoir on Marshall, originally published in the *Economic Journal* in September 1924 and since then frequently reprinted, including in Keynes's *Essays in Biography*. A critique of its contents follows, in the light of subsequent biographical research on Marshall. A final section discusses the need for a full length Marshall biography, which is at last appearing over 70 years after Marshall's death, contrary to the views expressed by both Edgeworth and J.N. Keynes after they had read Maynard Keynes's memoir. The broad theme of the paper is the necessity for correct biography to ensure more valid interpretations of an economist's thought.

LEON WALRAS ON MONEY AND BANKING

Henry Hilton

The 'Walrasian system' constitutes an epoch in economic thought, but its modern interpretation as founded upon the work of Jaffe represents a truncated view of what Walras himself intended to convey. In particular, it ignores Walras's important theories of money, banking and credit, and it redefines Walras's concept of the 'numeraire'. It is not widely appreciated that Walras held the view that to ensure economic stability the financial system had to be regulated, and that banks were to be prohibited from creating money. This paper draws from Walras's 'applied' work - *Etudes d'Economie Politique Appliquée* - to interpret the monetary and banking aspects of his 'pure' theory - *Éléments d'Economie Politique Pure*.

MAJOR BUT UNDOCUMENTED INFLUENCES ON KEYNES'S GENERAL THEORY

Steven Kates

Keynes *General Theory* was a full scale attempt to overthrow the influence of Say's Law on business cycle theory. The initial idea to attack Say's Law occurred when Keynes read Malthus's letters to Ricardo in 1932. Following this initial acquaintance with Say's Law, Keynes read other authors who had similar ideas. Amongst these, only J.A. Hobson's influence is well documented. Two other authors, both American, appear to have been of singular importance: Frederick Taylor and Harlan C. McCracken. This paper explores the influence of Taylor and McCracken on the development of Keynes' *General Theory* with particular reference to their influence on Keynes' understanding of the meaning of Say's Law.

A MARX FOR POST KEYNESIANS

Steve Keen

This paper proposes that an axiomatic foundation for Post Keynesian economics exists in Marx. It has been shown elsewhere (Keen, 1993a, 1993b) that there is an interpretation of Marx which contradicts the labor theory of value; this interpretation is also the source of these axioms. The paper considers major aspects of Post Keynesian thought - the importance of effective demand, wage determination and income distribution, the role of money and Minsky's Financial Instability Hypothesis - and shows how these can be derived from Marx's axioms of classical economics. It argues that the organic conception of Keynes is consonant with a dialectical interpretation of Marx.

DIVERGENT GROWTH AND ENDOGENOUS CYCLES - A KEYNESIAN RECONCILIATION OF HARROD AND HICKS

Steve Keen

The introduction of a General Theory perspective on investment into Hicks's trade cycle model generates a cyclical growth model which reconciles the apparently divergent visions of Harrod and Hicks. Growth occurs without the need to postulate autonomous investment, cycles occur without ceilings or floors, cycles and growth are interdependent, the rate of growth depends on the rate of investment, plausible values can be given to fundamental parameters, and differences in national growth rates can be explained by differences in national propensities to invest.

VALUE, PRICE AND WELFARE

Ian Kerr

From the eighteenth century until the 1930s, theories of exchange value explained the determination of relative prices in terms of differences between commodities in their underlying value elements - the 'toil and trouble of labour', the sacrifice of abstaining from consumption, and/or the marginal utility from consumption. Relative prices were seen as the outcome of the pursuit, avoidance or expression of various human values and 'disvalues' - wants, needs, dislikes, efforts, sacrifices and so on. However, since the 1930s neoclassical price theory has neglected 'value'. In fact, Hicks, Samuelson and others explicitly purged 'value theory' of all its real value elements (utility and real cost).

This paper is a plea to 'put the value back into value theory'. I argue that the determination of relative prices can not be adequately explained until prices are quantitatively related to the human processes of valuation that motivate or accompany all labour, production, consumption and other forms of economic activity. Value theory should also be well grounded in axiology, i.e. there should be adequate philosophical underpinnings to any theory of relative prices if it is to function as an adequate explanation of the determination of prices.

I also argue that there are important linkages between value theory, welfare theory, the measurement of aggregate economic output and welfare, and the methodology and framework for carrying out normative (evaluative) economics. These linkages can not be adequately understood and utilised to the benefit of society unless economists subscribe to a price theory which is also a value theory in the fullest sense of the term - a theory which explains prices in terms of underlying values and disvalues, which is integrated with a welfare theory couched in terms of these values, and which provides a measure of aggregate economic welfare and a framework of analysis which permit and encourage the evaluation of economic policy in terms of the promotion of those values. With the emergence of the new welfare theory in the 1930s, there was a devaluation of welfare theory which paralleled that of the devaluation of price theory. Illustration of these themes comes from the works of Smith, Ricardo, Jevons, Marx, Marshall, Pigou and others.

THE FIRST POST KEYNESIAN: JOAN ROBINSON'S ESSAYS IN THE THEORY OF EMPLOYMENT (1937)

John King

I argue that Joan Robinson's 1937 *Essays* anticipate many of the criticisms of orthodox economics made, very much later, by American Post Keynesians like Sidney Weintraub and Paul Davidson. I concentrate on Robinson's treatment of the labour market and the long period, but also comment more briefly on her analysis of the open economy, policy issues and methodology. Robinson assigns money wages a crucial role in the inflationary process, but denies any close connection between money wages and real wages, or between real wages and employment. Her discussion of the long period contains neoclassical elements that she would subsequently repudiate, but also points towards the Cambridge growth and distribution models of the 1950s. In the *Essays* she also extends the *General Theory* to the foreign sector, dissects the conflicts in policy objectives that arise when the price level and the exchange rate are allowed to vary, and distinguishes very clearly between 'history' and 'equilibrium' in the manner of much of her later writing. I conclude by regretting Robinson's failure ever to develop the insights of the *Essays* into a coherent (Post) Keynesian treatise.

RENT AND VINTAGE MODELS*Ted Kolsen and Tim Robinson*

Henry Carey's opposition to the Maltho-Ricardian idea that the extensive margin in agriculture is characterised by diminishing returns was so influential that many of his prominent classical and early neoclassical successors argued the merits of his case. Their conclusion was that while, on the basis of fact, Carey had the better of the argument, his findings did not, as he supposed, have relevance for the theory of rent - all that is required for a theory of rent is the existence of lands having differing degrees of productivity. The order in which the land is taken up is irrelevant.

However, for most productive assets, differences in productivity are not permanent. The value of all assets, including land, is affected by changes in technology, especially transport technology. The theory of rent is about differential earnings of physically similar but economically different assets. Salter's (1966) development of the vintage model allowed for changes to asset values as a result of technological change. This paper looks at the nineteenth century evolution of the theory of land rent and discusses how the vintage model approach removes the common confusion between static theory and dynamic effects, and between effects on land and other assets.

KEYNES AND KALECKI: POLES APART?*Peter Kriesler*

Although there has been much discussion as to who won the race to find the principle of effective demand, there has been little attempt to compare and contrast the efforts of Kalecki and Keynes on this question. This paper tries to identify both the similarities and the differences between their works, and attempts to locate the reasons for these differences.

J.S. MILL: UTILITARIAN OR LIBERAL?*Oskar Kurer*

Mill's liberal credentials hinge on three issues: Did he establish an autonomous principle that limits government intervention? Where did he draw the limits to government intervention? Was he a want- or idea-regarding utilitarian? The liberal interpretation holds that Mill established an independent principle of liberty that contradicts Mill's utilitarianism, that he does not allow intervention unless vital social interests are at stake, and that Mill was a want-regarding utilitarian.

It is argued here that Mill's principle of liberty has no autonomous status but is derived from his view of the good life which in turn is connected to the Principle of Utility. Thus Mill emerges as a consistent Utilitarian. Moreover, it is held that Mill assigned to government intervention a larger scope than the liberal revisionists claim. Furthermore, it is maintained that Mill was an ideal-regarding utilitarian who attempted to shape an institutional framework that moulds the wants of individuals according to his view of the good life.

AUSTRALIAN ECONOMISTS IN THE INTERWAR YEARS*Paul Mooney*

This paper re-evaluates the ideas of academic economists during the war years and the way they have been treated by modern day commentators. The contemporary view suggests that academic economists (except Irvine who was not in academic employment during the Depression), bankers and conservative politicians (from both major parties) supported orthodox economic policies, believing the market could resolve imperfections if the people accepted flexibility in their living conditions. Instead, it is suggested that governments should have applied radical economic solutions (ie economic planning and credit creation as advocated by Irvine, Theodore and others on the left of politics). This interpretation suggests the existence of two lines of economic thought.

Examination of published and archival material, suggests that the approaches of some academic economists addressing the crisis who have been regarded as orthodox, in fact supported a middle or third line of economic thought. This group, titled the Centralists, believed the solution to the economic crisis could be reached via a

mixture of expansionary and deflationary policies designed to stabilise the economy. They also believed all Australians had to share the burden of the Depression. Professors Copland, Giblin and Brigden, Dr Wood and Melbourne stock broker Dyason supported the middle course. The Centralists endeavoured to raise the profile of the profession, with their work on government committees and commentaries in academic and popular media.

There were many populists advocating their own economic programs. They represented both the political right (advocating deflation) and the left (advocating government action or revolutionary change to the economic system). The paper will analyse how education and life experiences influenced the thinking of the Centralists during the interwar years. It will also touch upon the impact of the populists and young economists taught Keynesian economics on the economic debate.

WALTER BAGEHOT AND HIS ROLE IN THE ENGLISH *METHODENSTREIT*

Gregory C.G. Moore

In this paper I examine the methodological framework expounded by Walter Bagehot at the height of the late-nineteenth century methodological confrontation between the historical and orthodox economists. This case study is the product of a wider historical research programme in which I seek to examine the origins of past methodological debates. Within this framework I propose that methodological debates in economics are, for the most part, the product of theoretical or policy debates. It is my opinion that economists ignore methodological and philosophical issues until either the doctrinal conclusion of the school to which they belong are challenged or they themselves contest the doctrinal conclusions of an alternative school. Once this occurs, economists select, reinterpret or construct methodological precepts in order to gain the maximum support for their position. In support of this bold hypothesis I propose that Walter Bagehot defended the orthodox doctrines from the historicist attacks by articulating a stadial theory of economic development and a form of historical relativism. These methodological ploys restricted the applicability of the orthodox doctrines to those societies which resembled the modern commercial world of mid-Victorian England, and hence preserved the relevance of those doctrines for the contemporary decision maker.

JACK DOWNIE'S COMPETITIVE PROCESS: AN ACCIDENTAL INNOVATION IN ECONOMIC THEORY: THE FIRST ARTICULATED POPULATION DYNAMICS MODEL IN ECONOMICS

John Nightingale

In 1958 Duckworths published the only major academic work of an English civil servant who had taken leave to investigate the reasons for the wide dispersion of productivity levels between firms in the same industry, conducting the same activities, contesting the same markets. His interest was in the policy question of improving Britain's national income per head, his focus was on the institutional environment of firms, specifically competition policy, and the effect that environment had on the process of competition. In order to answer his questions he required a theoretical framework which addressed it. As a man accustomed to solving the practical problems of the policy advisor in the British Treasury, he had no hesitation in adopting a framework which abandoned received orthodoxy. This framework anticipated the work of Nelson & Winter by nearly 20 years, and bears an uncanny resemblance to that work. However, it is clearly Marshallian in character, and adds aspects that derive from Schumpeter and Steindl, though in ways which both those authors might have rejected. The postwar Oxford tradition of post-Marshallian microeconomic theory which nurtured Andrews and Richardson, is also the tradition drawn upon by Downie.

This paper claims precedence for Downie in the use of population ecological models in economics. It will also point out the way the Downie drew upon his Marshallian background in using ideas that are currently strongly identified with Schumpeter. Downie drew explicitly upon both. Without both, the population ecology system he almost inadvertently produced would not have emerged.

TAYLORISM IN THE WORKS OF JOHN COMMONS

Chris Nyland

The scientific management movement and the so-called "Father" of this movement, Frederick Winslow Taylor, are associated in popular consciousness with the deskilling and systematic disempowering of workers. The

prevalence of this perspective makes it difficult for analysts to comprehend why Institutional economists known to have been sympathetic to labor, such as Thorstein Veblen and John Commons, collaborated with leading scientific managers. These developments can be understood only if one is aware of the extent to which Taylor's disciples participated in campaigns to reduce working hours, democratise workplaces and public institutions and stabilize employment. Recent studies have detailed the positive part played by scientific managers in these areas and by so doing have challenged the widely accepted demonisation of their movement (Nyland 1989, 1995; Nyland and Bruce 1994; Schachter 1989). This article seeks to add to this revisionist literature by examining John Commons' assessment of Taylorism. Commons knew Taylor personally and remained a critical commentator on scientific management throughout his life. An examination of Commons' views regarding scientific management consequently can assist clarification of both the character of Taylorism and why pro-labor Institutionalists became associated with the Taylorist movement.

TECHNOLOGY AND THE DISTRIBUTION OF THE COMMON WEALTH: JOHN CARRUTHERS 1870S' EXPLANATION FOR WEALTH CONCENTRATION IN THE 1880S

Keith Rankin

Paul Krugman, in *Peddling Prosperity* (1994), tells of a sharp change in the pattern of income growth in the USA that took hold in the 1970s. In the 1950s and 1960s, the benefits of growth were evenly distributed, whereas in the 1980s seventy percent of the growth was accounted for by the richest one percent of families. Inequality has been growing according to a similar pattern in most other countries. The paradox is that, while the most plausible theories point to the effect of technological change, the period has been marked by productivity slowdown. In New Zealand in 1878, John Carruthers wrote about these issues as a central theme in his critique of John Stuart Mill. He pointed out that so long as a sufficient number of capitalists remained in competition with each other the proportion of wage goods produced would not shrink, but that developments in technology would eventually lead to a new situation of global monopoly in which the production of wage goods could fall relative to total production. He also recognised that the resulting cheapness of labour would inhibit the further adoption of labour-saving technology; that there would be a productivity slowdown so long as the decisions about which technologies to adopt were made by the few rather than the many.

THE NATURE AND ROLE OF EQUILIBRIUM IN KEYNES' *GENERAL THEORY*: AN ALTERNATIVE PERSPECTIVE

Colin Rogers

This paper challenges the conventional wisdom that *The General Theory* provides a formal model of short-period equilibrium only. The paper develops a critique of short-period interpretations of Keynes due to Asimakopulos and Lim, in particular, and Keynesians in general. It is argued that Keynesians in general, and Asimakopulos in particular, miss-apply the Marshallian method by restricting the analysis to short-period equilibrium. In particular the relationship between statics and dynamics in Marshall and Keynes has been grossly distorted by Keynesians. Applying the tools of Marshall's period analysis reveals in contrast that the static model of the *General Theory* demonstrates the existence of long-period unemployment equilibria. The Marshallian long-period perspective also clarifies Keynes' claim to have generalised classical theory.

The long-period aspects of *The General Theory* then make it possible for Keynesians to provide a coherent statement of the principle of effective demand with which to refute Say's Law and the quantity theory of money. Without the long-period perspective the principle of effective demand is incapable of refuting Say's Law which is a proposition about classical (static) long-period equilibrium, not short-period equilibrium. No classical economist expected Say's Law to hold in short-period equilibrium.

MALTHUS: THE FIRST NEW KEYNESIAN?

Michael Schneider

Keynes described Malthus as the first Cambridge economist. Subsequent writers have argued the case for and against describing him as the first Keynesian. This paper raises the question as to whether he is not better still described as the first New Keynesian. A leading New Keynesian, N. Gregory Mankiw, defines New Keynesian economics as '[t]he school of thought according to which economic fluctuations can be explained *only* by admitting a role for some microeconomic imperfection, such as sticky wages or prices' (Mankiw, 1992, p.495,

emphasis added). Malthus attributed the unemployment experienced in Britain in the years immediately following the Napoleonic Wars to the fact that money wage rates were sticky downwards, failing to fall at the same rate as the price of corn. Does Malthus imply by this that if money wage rates had instead fallen at the same rate as the price of corn, there would have been no unemployment? Or do his writings imply that he believed unemployment would still have occurred due to underconsumption? These are the questions which this paper addresses.

WICKSELL'S STUDIES OF JEVONS' ECONOMICS AT THE BRITISH MUSEUM

Shigeki Tomo

This paper shows what and how Knut Wicksell learned from the second edition (1879) of Jevons' *Theory of Political Economy* in the mid-80s during his stay in England. At the British Museum he opened the first page of this book on 20 November 1885 and subsequently read it through, taking note of its main propositions and concepts of new economics: the anticipated feeling, the final degree of utility, the contradiction between value in use and value in exchange, the ratio of exchange as the reciprocal of ratio of the final degree of utility, the relation of the theories of labour and exchange, the joint production, the theories of rent and capital &c.

For his quotations and summaries from Jevons Wicksell spent almost 57 pages, which are three times as much as those for Leon Walras' *Théorie mathématique des richesses sociales*. They are also included in the same notebook. Wicksell alternately read the theories of exchange and production in Walras' book at first through the German translation by Winterfeld (1881) and then the theory of capital from the French original. It is quite interesting to see that Wicksell read Jevons much more intensively than Walras, though later he turned out to regard Walras' equation system of prices as much superior to that of Jevons (in Wicksell's *Book on Value, Capital and Rent*, also in his letter to Walras, dated 6 November 1893).

This interesting notebook, now preserved in the Wicksell Papers at the Library of Lund University, had been already used by Gårdlund (1957) to sketch the life of Wicksell. But no further information was given on its contents so that the so-called *Wicksell Problem* raised by Gårdlund himself has remained open: "How did it come about that Wicksell, in the 1880's still uncertain as to profession and livelihood and wavering between mathematics and Malthusianism, his intellectual development continually disturbed by personal and political crises, was suddenly able, in the 1890's, to produce a historical contribution to economic science?" (Gårdlund, 1957, p.189).

Judging from the level of his understanding of Jevons and Walras, which is reflected in the notebook, it was not "suddenly in the 1890's" but *already prepared at the beginning of his studies of economics* for Wicksell to achieve his fame in the field of theoretical economics. My transcription of the notebook will be provided at the conference.

THE TRACKS OF TIME: W.S. JEVONS' STATISTICAL ATLAS

Michael White

In 1861, W.S. Jevons began work on a large 'Statistical Atlas of Great Britain'. Although the Atlas was never published, parts of Jevons' manuscript have been preserved as have some notes and graphs which he prepared in 1862 for a smaller version of the project. In describing the contents of the manuscript and notes, this paper argues the Atlas indicates that the distinction which has sometimes been drawn between Jevons' 'theoretical' and 'applied' political economy is misleading. The contents suggest an underlying unity to Jevons' work since a number of the principal topics which he pursued over the next twenty years are evident in the 1861 project. The Atlas also helps explain the ways in which Jevons linked some components of his later publications in political economy. In particular, the 'static' marginalist analysis of *The Theory of Political Economy* and the 'dynamic' analysis of 'commercial fluctuations' or business cycles can be identified as two components of a more general project. A further point of significance is that the Atlas suggests the importance of carefully examining Jevons' work in 'physics', via the avenue of meteorology, so as to explain the production of his political economy.

INTELLECTUAL ORIGINS OF MAINSTREAM ECONOMICS

Gina Wood

Economics has not developed independently of other disciplines. Likewise, it has impacted upon society and culture in far more subtle ways than for which it has obtained credit (or criticism), which, it is contended in this paper, was the intention of its intellectual ancestors.

Few modern practitioners of economics are aware of the symmetry between their works and those of Francis Bacon, Thomas Hobbes and Isaac Newton. The materialist philosophy of Bacon married to the mechanistic view of human nature as developed by Hobbes provided fertile ground for the development of an economics with a distinct political, social and cultural agenda. Three early influential economists, W. Stanley Jevons, Leon Walras and Vilfredo Pareto, sought to vindicate economics as a science, specifically by emulating physics, since physics has traditionally accumulated prestige and status within society and popular culture (justified or otherwise).

If society treats sciences as deserving of respect, any discipline labelled 'science' has implicit authority. Economics holds such a position within society and has influenced our perception of institutions within it to the extent that we are unable to separate our definitions of human nature from that which was bequeathed upon economics. Yet these definitions support an analytical framework based upon mechanics, and a political exploitation of productive resources within society, under the guise of science.

GENERAL JUSTICE IN ADAM SMITH

Jeffrey T. Young

This paper will explore Smith's concept of general justice, which is a scholastic idea dealing with the public good. In brief, general justice concerned the obligations of the individual to the community. It is tempting to gloss this over in Smith, because the invisible hand appears to take care of the problem. Individual self-interested action automatically promotes the public good. This however, is far too simplistic. It presupposes the political and institutional framework summarised in Smith's concept of "natural liberty". Establishing the system requires self-interested individuals to consciously promote the public good in the political process. Thus, Smith must be concerned about public virtue as well as self-interest. The paper will explore certain interrelated questions surrounding this general problem. We address such issues as Smith's conception of the content of the public good, why he thought self-interested individuals would be concerned about it, and whether he could be accused of simply imposing his own value judgements on the political process.

1995 HETSA Thesis/Essay Prize Report of the Adjudicators

Six theses were submitted for the competition this year, an indication of the growth of the sub-discipline in graduate education in Australasia. Three were PhDs (from Auckland, La Trobe, Murdoch), two were Masters theses (Griffith, NSW) and one was an Honours dissertation (Queensland). The competition was therefore diverse, in the range of universities which submitted, in the type of degrees which inspired the theses and in the topics. The adjudicators take the opportunity to remind future participants in this Prize that eligible theses need to have been successfully examined before submission, a requirement only just met in the case of two of the six presented for the prize. In addition, the adjudicators stress the need for a substantial history of economic thought component - the prize is not given in "Australian Studies", "Gender Studies", "Economic History", "Social History" or "Economics" - even though it will inevitably be submitted in departments largely concerned with such studies. A study of an individual economist, to refer to two particular instances from this year's submissions, needs therefore to be firmly set in a historical perspective, relating the ideas to predecessors, subsequent generations, or both. A history of economic thought component can be placed in a variety of settings, including a broad inter-disciplinary one (such as the legal/economic studies mix visible in one of the submitted theses.)

Despite the difficulties of deciding among such disparate dissertations in terms of the nature of the degree for which they were submitted, the adjudicators were strongly of the opinion that they clearly divided into two classes. The higher class was reached by two of the PhD theses, the winner of which was deemed to be publishable as a book by us both, while the runner-up had already been published in part in leading journals. In short, the adjudicators were unanimous in awarding:

the First Prize of \$400 to Gregory Moore, for his PhD thesis on 'the Origins and Subsequent Progress of the English Methodenstreit, 1862-1893', supervised by John King (La Trobe)

and

the Second Prize of \$200 to Bob Leeson, for his PhD thesis on "A.W. Phillips and the Political Economy of the Inflation-Unemployment Trade-off", supervised by Keith Norris and Ray Petridis (Murdoch).

This final ranking was heavily influenced by the bold and critical style of the prize-winning thesis. The runner-up could likewise become a successful book. We found it difficult to rank the other four theses, all of which had distinctive merits. Their heterogeneity was too great, but all, eventually, can generate some publishable work.

Given our experience this year, we wish to make a number of recommendations for the future conduct of the Prize.

1. The society should conduct the Prizes at two distinct levels: one for PhD dissertations, the other for Masters and/or Final Honours theses.
2. The Society should continue to have the Prize(s) awarded every two years even if meetings become annual as from 1995.

3. Candidates for the Prize should be asked to certify at the time of submission that the dissertation they are entering has successfully passed all examinations required by the University to which it was originally submitted.
4. Eligibility for the Prize rests on the presence of a significant history of economic thought content in the body of the thesis.
5. Given the condition of the Prize that it need not be awarded if entries are of insufficient merit, one adjudicator with past experience should always be present on the adjudicating panel, wherever possible.

HETSA PRIZE 1995

Citation

Gregory Moore: *The Origins and Subsequent Progress of the English Methodenstreit, 1862-1893.*

This thesis provided a detailed discussion of a number of persons directly (or indirectly) involved in the debates over the appropriate method of political economy in England during the second half of the nineteenth century. They are dealt with in pairs over three phases: John Stuart Mill and Thomas Cliffe Leslie (Phase 1), John K. Ingram and Robert Lowe; Walter Bagehot and W.S. Jevons (Phase 2) and William James Ashley and J.N. Keynes (Phase 3). There is also an introductory and concluding chapter. The former sets out an interesting research programme and conceptual framework through which these authors are studied.

The novelty of this methodological framework and the manner in which it was set out are two reasons why this thesis deserves first prize. In addition, the critical and self-confident tone with which the author discussed both primary and secondary sources gave the thesis a refreshing boldness. This was never at the expense of in-depth research and thorough acquaintance with the sources used and though some of the views in the thesis are debatable, they were never thoughtlessly put.

Aspects of Chapter 3 of the thesis have been published in the *Journal of the History of Economic Thought*. The thesis is likely to be publishable as a book without too much additional work. This is also high recommendation of the quality of work which reflects well on the student and his supervisor. It was a pleasure to read, and makes a useful and original contribution to the literature.

Communications

Call for papers.

The Ninth *History of Economic Thought Society of Australia* Conference will be held at the University of New South Wales on 10-12 July 1996. For information contact Peter Kriesler or John Lodewijks at the Department of Economics, UNSW, Sydney 2052. Fax: (61-2) 313 6337. Tel: (61-2) 385 3373 or 385 3386. E-mail: P.Kriesler@unsw.edu.au or J.Lodewijks@unsw.edu.au

The *Centre for the Study of the History of Economic Thought* at the University of Sydney held its annual meeting on the 19th July 1995 and this coincided with a seminar by Jeffrey Young on Adam Smith's Concept of Distributive Justice. A Workshop was conducted on "Physicians and Classical Political Economy" on August 4th. Speakers included Tony Aspromourgos, Marina Bianchi, Neil de Marchi and Peter Groenewegen. A seminar on "Writing the Biography of Robert Torrens" was given by Peter Moore on November 10th.

The *American History of Economics Society* 23rd Annual Meeting will be held at the University of British Columbia from June 28 to July 1, 1996. Contact Malcolm Rutherford, Department of Economics, PO Box 3050, University of Victoria, B.C. Canada. Fax: 604 721 6214.

The Veblen Society meeting of June 2nd 1995 at the University of Notre Dame featured two speakers: Roger Backhouse and D. Wade Hands. Organizers were John Davis and Phil Mirowski.

European Journal of the History of Economic Thought: Members of HETSA are entitled to a special reduced subscription price of £16/\$24 per year (full price: £28/\$43). Contact Ceri Williams, Journals Promotions, at Routledge, London. Email: cwilliams@routledge.com

The *British History of Economic Thought Newsletter* is edited by John Vint at Manchester Metropolitan University, Manchester. We have received No. 54 Spring 1995 which indicates that there is discussion under way about a proposal to create a formal History of Economic Thought Society in Britain. Also noted was the appointment to the Officership in the General Division of the Order of Australia (AO) of G.C. Harcourt.

Robert Byrd, Director, Special Collections Library, Duke University provides us with the most recent (as of May 25, 1995) status report on the collecting of economists' papers:

9. The University of New South Wales was selected as the site for the 1996 conference with the following locations to be sounded out for future conferences: Perth (1997), Newcastle (1998) and Auckland (1999).

10. Mike Schneider reported that the teaching of HET was presently undertaken in three States with around 20 subjects taught. Mike was also monitoring class sizes and the impact this was having on the teaching of HET at different universities.

11. Members thanked the convenors, Peter Burn and Bruce Littleboy, for their excellent organizational efforts and the pleasant conference venue.

The meeting closed at 10.25 a.m.

HETSA Business Meeting - Eighth Conference

University of Queensland

14th July 1995

Twenty-five members were present. Ian Kerr was in the Chair. John Lodewijks acted as minute secretary. The meeting commenced at 9.00 a.m.

1. Minutes of the July 1993 meeting at Wollongong were confirmed.
2. Matters Arising - five members responded to an interest in obtaining back issues of *HER* and *HETSA Bulletin*. All were sent back issues out of existing stock and there appears little need to reprint out-of-stock issues.

3. *Chief Executive Officer's Report:*

At the last 1993 meeting it was reported that membership had expanded by 75 per cent overall. Over the last two years membership has increased by another 25 per cent. Overseas membership has been the big growth area and has almost doubled. One-third of the membership is now from overseas. Financial statements were tabled and confirmed by the meeting and the healthy balance of accumulated funds was noted.

4. *HER Editor's Report:*

Since the last meeting three issues of *HER* had been published - Numbers 20, 21 and 22. The journal has been listed in the new journals section of the June 1995 *Journal of Economic Literature*. It is also on the electronic online and CD-ROM indexing and abstracting services of the AEA. The new cover has been well received, the editorial board revamped and plans are being made to publish two minisymposiums in *HER* in 1996.

5. Both the CEO and Editor of *HER* were elected unopposed to serve another term of office.

6. The adjudicators of the HETSA Prize, Peter Groenewegen and John Pullen, were thanked for their efforts and members were asked to consider a number of their recommendations relating to the Prize. It was decided to award future prizes in three classes: (A) Ph.D, (B) Masters by research, and (C) Masters/Honours partly by thesis, report or essay - if there were candidates of sufficient merit. Second prize winners in each category would receive a commendation. It would also continue to be a *biennial* HETSA Prize. Candidates need to have had their examination reports submitted to confirm eligibility, and it was desirable that at least one examiner have previous experience with the prize. Examiners were also to receive an honorarium.

7. The meeting considered, and rejected, a proposal to increase HETSA subscription rates. The meeting also rejected a proposal to charge libraries and other institutions a higher subscription rate.

8. A Post-graduate award, called the Barry Gordon Prize, of \$100 will also be available for the best post-graduate paper given at a HETSA conference. To be eligible, candidates must be post-graduate students and delivering their *first* paper at a HETSA conference. The prize will be awarded on the quality of the written paper. To this end convenors are asked to schedule post-graduate students early in the conference program and applicants are to indicate at registration if they want to be considered for the prize.