HISTORY OF ECONOMIC THOUGHT SOCIETY OF AUSTRALIA

Ninth Conference

UNSW, 10-12 July 1996

Program

Pre-Registration and Welcome

Tuesday 7.00-8.00 pm

University Club

4th floor Electrical Engineering Building

Wednesday 10 July

9.30 - 10.00 **Registration**

10.00 - 11.00

Early Economic Thought I
Chair: Peter Groenewegen

On a possible new edition of the writings, correspondence and manuscripts of William Petty
Tony Aspromourgos

Sir Edward West and the Origins of Rent Theory
Frank Dunn

Morning Tea

11.30 - 12.30

Early Economic Thought II
Chair: Tony Aspromourgos

Two Early Critics of Economic Rationalism: Sismondi and Carlyle
Michael Schneider

J.K. Ingram and the Decline of Comtism within Political Economy
Gregory Moore

Lunch

2.00-3.00

Money and the Sydney Connection
Chair: Roy Green

A Monetary Explanation of Distribution in a 'Gold Money Economy'
Matthew Smith

Illiquidity and Insolvency: Barings, 1890 and 1995
Warren Hogan

Afternoon Tea

3.30-4.30

What's Right With Marx?
Chair: Geoff Fishburn

Where Marx was Right
M.C. Howard & J.E. King

A Critique of Part One of Capital Volume One: The Value Controversy Revisited.
Ajit Sinha

Thursday 11 July

9.30 - 10.00

Research in Progress
Chair: John Lodewijks

Rhetoric, Marshall and Marcet
Valerie Muir

Walras
Kayoko Misaki

10.00 - 11.00

Keynes Revisited Yet Again
Chair: Athol Fitzgibbons

The Demise of the Say's Law Tradition in the Theory of the Business Cycle: The Effect of Keynes's General Theory on Haberler's Prosperity and Depression
Steve Kates

Keynes and the Susceptibility of Investment
Jerry Courvisanos

Morning Tea

11.30-12.30

What's Left of Chicago Economics?
Chair: Tony Endres

Uncertainty and Welfare: Knight's Expansion of Welfare Economics
Stephen Nash

Countervailing Egos: Stigler versus Galbraith
Craig Freedman

Lunch

2.00-3.00

Evolving Economists
Chair: John King

Natura non facit saltum
Geoffrey Fishburn

Anticipating Nelson & Winter: Jack Downie's Theory of Evolutionary Economic Change
John Nightingale

Afternoon Tea

3.30-4.30

Capital Games
and
A Jevonian Appetiser

Chair: Ian Kerr

The Collaboration between Von Neuman and Morgenstern
Chikako Nakayama

The Most Impalpable of Ghosts: Jevons, Catena and the Laws of Supply and Demand
Michael White

Conference Dinner

Guest Speaker: Brian Toohey

Friday 12 July

9.00 - 10.00

Business Meeting

10.00-11.00

Symposium on Teaching Economics Historically

Chair: Michael Schneider

Main Speaker:
Paul Oslington

Morning Tea

11.30-12.30

Just Employment
Chair: Allen Oakley

Fair Wages and Just Outcomes
Paul Flatau

Changing Views of Unemployment in Twentieth Century: An Overview
Peter Groenewegen

Lunch

2.00-3.00

Trade Unions
Chair: John Nightingale

William T. Thornton on the Economics of Trade Unions: The Origins of Efficient Bargaining Theory
Mark Donoghue and Mark Wright

Taylorism and Union-Management Cooperation for Enhanced Organisational Performance
Chris Nyland

Afternoon Tea

3.30-4.30

Epilogue
Chair: Craig Freedman

Answers (and Questions) for Sraffians (and Kaleckians)
Steve Keen

Hollander's Marx and Malthusianism: A Critique
Ajit Sinha

(Attendance ranged from 21 to 33 for particular sessions.)

1996 HETSA CONFERENCE

University of New South Wales

ABSTRACTS

Tony Aspromourgos
On a possible new edition of the writings, correspondence and manuscripts of William Petty

Sir William Petty F.R.S. (1623-1687) is widely regarded as the most important economic writer of the seventeenth century, and a key figure in the formation of classical economics. He was also a significant figure in the English scientific movement of the time (institutionally embodied in The Royal Society, from 1662), and was involved in Ireland during a particularly catastrophic period in its history. The most significant scholarly edition of the collected (published) writings of Petty, is the two volume collection by C.H. Hull (1899), now virtually a century old. Four other significant volumes of Petty writings have been published, in the early part of the twentieth century (and one in 1851). The purpose of this paper is to lay out the possibilities for a new edition of Petty's writings, in seven volumes. This most likely will involve publication of four facsimile volumes, with new Introductions; and three new volumes consisting mainly of manuscripts and correspondence, but also some previously published works not reprinted since the seventeenth century (or in one case, 1810).

Jerry Courvisanos
Keynes and the Susceptibility of Investment

Investment analysis at the macroeconomic level has been very extensive ever since Keynes's *General Theory* placed the investment function at centre stage of the analysis of why a market capitalist economy does not necessarily achieve a full employment equilibrium. Only recently has Keynes's explanation of the role of psychological factors in the determination of

investment begun to be developed into a formal model of behavioural motivation, not just in terms of assumptions, but also as central to the economy's progress over time. Keynes's analysis of uncertainty is the essence of this behavioural element in investment. Keynes distinguishes two forms of behaviour. One is entrepreneurial rationality based on the classical idea of enterprise as a 'way of life' in an entrepreneur economy. The other is speculative rationality (or 'animal spirits') based on short term financial gains by 'outwitting the psychology of the market' and anticipating its movements which are governed by doubt and fear.

This paper develops a notional susceptibility of investment cycles based on entrepreneurs' relative proportions between spontaneity and constraints on human action. The former refers to the chaotic responses of free human actions (or Keynes's 'animal spirits'), while the latter refers to the 'rules of the game' in Keynes's 'entrepreneur economy' that constrain action. The paper argues that in periods of strong established technological systems with a state responsive to planning and stabilisation, relative proportions lean towards 'rules'. This produces moderate amplitudes in investment cycles with relatively strong growth rates. In periods of declining relevance of established technological systems with a state that is market forces oriented, relative proportions lean towards 'animal spirits'. This produces larger amplitudes in investment cycles with more moderate growth rates. Empirical analysis in the form of case studies and national statistical data are outlined in support of these propositions.

Mark Donoghue and Mark Wright

William T. Thornton on the Economics of Trade Unions: The Origins of Efficient Bargaining Theory

Until the mid 1970s, the economic theory of trade unions was considered a "Cinderella" topic by economists. Johnson (1975) portrays a field in decline: the proportion or articles on unions published in major economics journals declined from 9.2 per cent in the 1940s to just 0.4 per cent in the first half of the 1970s. A decade later, the field had undergone explosive growth. In a survey of the literature in 1985, Oswald (1985) cited 141 papers written in the intervening period, an indication of renewed interest on the part of the economics profession. According to Oswald, the economic study of unions "is a thriving area".

The catalyst for this renewed interest was the "rediscovery" of the notion of efficient contracts between unions and employers, and particularly the contribution of McDonald and Solow (1981). Efficient contract theory, which is commonly attributed to Leontieff (1946) and Fellner (1947, 1949), depicts unions and employers as rational agents negotiating Pareto-efficient bargains covering multiple aspects of the employment relationship. By providing a coherent model in which to view union bargaining, these models solved one of the major theoretical problems identified in Johnson's earlier survey.

The contention of this paper is that the origin of efficient contract theory can be found in the work of William Thomas Thornton (1813-1880), economist, "social reformer" and sometime friend of John Stuart Mill. In his treatise *On Labour*, first published in 1869, but serialised in the *Fortnightly Review* between 1866 and 1868, Thornton dismissed the popular notion that wages were determined "by the equality of supply and demand" in favour of a model in which wages were determined by bargains between unions and employers. Unions, which aim to maximise wage rents, sign contracts with employers which vary depending on relative bargaining strength.

Until recently, Thornton's contributions to the development of labour economics, and indeed economics more generally, have been given only fleeting attention. Another objective of this paper is to confirm Thornton's importance in the development of late nineteenth century economics. This continues the work of Negishi (1986), who describes Thornton's work as a "pioneer of disequilibrium or non-Walrasian economics", and Mirowski (1990), who argues that *On Labour* marked an important turning point in the history of nineteenth century political economy.

For most of the first half of the nineteenth century, classical economists ignored the role played by trade unions in securing higher wages for their members. Successful trade union campaigns for wage increases following the repeal of the *Combination Laws* in 1824, gradually prompted some economists to incorporate trade unions within the precincts of classical economics. Thornton went one step further. He viewed the successful wage campaigns as a challenge to classical theory and responded by outlining an alternate bargaining theory of wage determination. The first section of this paper outlines the historical context in which Thornton presented his findings. The example of the Amalgamated Society of Engineers, a new model union to which Thornton paid considerable attention in *On Labour*, is used to illustrate the development of the union movement and its assault on classical wages theory. Although systematic collection of labour market data did not commence in Great Britain until 1886, a range of data suggestive of the ability of the Amalgamated Society of engineers to raise wages are presented. Section two outlines Thornton's model of labour market bargaining and argues that it contains all the essentials of the modern theory of efficient contracts. Section three develops aspects of Thornton's basic model, and shows that his exposition not only precedes the contributions of Leontieff and Fellner, but anticipates some of the results of more recent theoretical literature on trade union bargaining.

Frank Dunn

Sir Edward West and the Origins of Rent Theory

Rent theory started with Adam Smith, exploding in 1815 from current problems. Malthus advanced on Smith. Ricardo mostly adopted Malthus. West, the innovator, introduced marginal and average productivity. His 'Application of capital to land' meant investment in all other factors applied to land. All wrote in terms of perfect competition. There was a large area of common opinion, mostly from Smith. None presented rent as payment for productivity of land.

Agricultural innovation is slower than industrial, because tasks change with the season. Supply and demand determine the price of corn, and the margin of cultivation. Growth spreads farmers onto less fertile soils, and more capital on fertile ones, rent rises, but higher prices partly offset that and reduced physical productivity. The rate of profit is the same everywhere, and equal to the revenue product of capital. Rent absorbs any difference between profits. Average cost is everywhere the same, with the proportion from rent according to the fertility of the land. Marginal land is determined by cost, and not vice versa.

Import of cheaper corn lowers prices to the home import price. Capital withdraws from land, but higher physical productivity partly offsets lower price. Hence price and rents fall less than initially. The reverse effect operates on the foreign supplier. Over time Britain will export more manufactures, manufactures with less agricultural content, ultimately capital, a good forecast of future developments.

Geoffrey Fishburn
Natura non facit saltum

The adage *Natura non facit saltum* was, as is well known, adopted by Alfred Marshall as the motto for his *Principles of Economics*, most probably as a borrowing from Charles Darwin's *Origin of Species*. This paper has two objectives: first, to provide the most complete record given to date of the uses of the adage prior to Darwin; and second, to examine the contrasting uses put to it by Darwin and Marshall.

Paul Flatau
Fair Wages and Just Outcomes

A fair wage in neo-classical wage theory is one which is equal to the value of the marginal net product of labour. If workers are not paid according to their marginal contribution to the firm they are exploited. But does the payment of a fair wage (and therefore the absence of exploitation) necessarily constitute a just outcome? This paper surveys the work of key participants in the development of neo-classical wage theory to determine the nature and importance of the distinction made between notions of 'fairness' and 'justice' in nascent neo-classical wage theory.

Craig Freedman
Countervailing Egos: Stigler versus Galbraith

George Stigler took particular delight in consistently ridiculing Harvard economists for their non-rigorous, even sloppy arguments. It was however the reliance on relative bargaining power that drove Stigler's rejection of these theories. Without precise outcomes, market distribution of income could not be justified on an a priori basis. This led to Stigler's brisk dismissal of Galbraith's theory of countervailing power.

Peter Groenewegen
Changing Views of Unemployment in Twentieth Century: An Overview

This paper, intended as a chapter for a book on twentieth century economics currently under construction, examines the changing perspectives on unemployment which unfolded during the twentieth century. Starting from the diverse views on the subject presented to the Poor Law Commission in the opening decade of the century, it then selectively reviews the treatment of the topic both in the textbook literature and by some of the major innovators such as Pigou, Keynes, Lerner, Malinvaud, Layard ending up with the contemporary perspectives of the new Keynesians and new Classicals (and other born-again pre-Keynesian theories after Keynes as Joan Robinson would call them). The broad conclusions from this century long saga are in some ways cheering for the historian of economics even if they say little about the progress of economic science on this matter.

Warren Hogan
Illiquidity and Insolvency: Barings, 1890 and 1995

Twice in little more than a century, the Barings financial house has been at the centre of a most adverse situation for the continuation of its independent existence. The purpose of this paper is to clarify the thinking of the authorities about the scope for intervention to forestall any possibility of contagion bringing instability to the banking and financial services sector generally.

The Barings Crisis of 1890 was instrumental in gaining attention for the ways in which the monetary system could be adapted to help a member in time of distress in case losses in one institution brought damaging contagion to others. In many respects this 1890 crisis witnessed the birth of the modern monetary system.

The Barings Crisis of 1995 was swiftly and deadly in its impact. The losses reflected concealed activities neither approved by senior management of the parent company nor reported to them. The direst penalty of failure was exacted when members of the London financial brethren could not come to terms with funding a rescue package. This determination may have marked the closure of an era in banking and financial policies.

The centre of attention is the role of the Blank of England. In 1890 it was able to muster support from the commercial banks but only after the Government had offered a Bill of Indemnity were the Bank of England to lend against Argentine securities held by Barings and others.

However, the main reason for the halting of the crisis was the guarantee given to the Bank of England by private and investment banks, the five main joint stock banks and then many other financial institutions This collective safety net was not secured in late February 1995.

M.C. Howard & J.E. King
Where Marx was Right

As a political force Marxism has experienced many failures in the twentieth century. Critical analysis of Marxian theory has also exposed serious deficiencies in its logical coherence and empirical relevance. This paper is not a survey of the wreckage, but, instead, locates those dimensions in Marxian thought which are of enduring value. This can never be done once and for all, since both future events and future knowledge necessarily require periodic revisions in evaluations of intellectual history. But developments in social and economic theory since the 1960s suggest that there are durable strengths in Marxian thinking. These developments may also be used to rehabilitate political projects that have been associated with Marxism, or, at best, undermine liberalism, which has always been the chief intellectual rival to Marxism.

Steven Kates
The Demise of the Say's Law Tradition in the Theory of the Business Cycle: The Effect of Keynes's General Theory on Haberler's Prosperity and Depression

The classical statement of Say's Law was that general gluts are an impossibility. In more modern terminology, this is the proposition that demand deficiency is an invalid explanation for recessions. Instead, recessions were seen to be due to various forms of structural maladjustments. This was the position held for more than a century by all mainstream economists and it was this judgement which was reversed by Keynes's *General Theory*. Haberler's *Prosperity and Depression* was written over the period stretching from 1930 to 1936. In it are found a comprehensive summary of all of the theories of the business cycle which were generally adopted by economists prior to the publication of the *General Theory* in 1936. What is shown in this paper is the nature of the Keynesian Revolution as a shift in the focus of economic theory from the structure of demand to the level of demand as the fundamental explanation for recessions and unemployment.

Steve Keen
Answers (and Questions) for Sraffians (and Kaleckians)

The central propositions in Steedman's 1992 paper "Questions for Kaleckians" were (a) that the input-output aspects of production must be taken account of in any account of price setting under capitalism; and (b) that one consequence of this is that the constraints which govern a mathematical representation of input-output analysis-matrix algebra-therefore govern the values that can be taken by the key parameters of the system of production. This paper argues that the first proposition above is, with reservations, correct and, therefore, that some aspects of "normal" Kaleckian analysis were rightly criticised but that the second is fallacious, since linear algebra is not an appropriate mathematical tool for the representation of the input-output nature of production. One suitable methodology is discrete-time dynamics, and the application of this to Steedman's analysis and example shows (a) that his critique of Kaleckian mark-up pricing is largely misplaced, and (b) that his preferred methodology of linear algebra is inapplicable to capitalism. This is because, while it is true to say that "Kaleckian mark-up pricing and distribution theory cannot be done properly if inter-industry relationships are ignored" (Steedman 1992, p. 145), the proper introduction of these issues results in a dynamic, non-equilibrium analysis where, as Sawyer correctly muses, "many of the questions which [Steedman] raises would re-emerge (probably in a more complex form)"

Gregory Moore
J.K. Ingram and the Decline of Comtism within Political Economy

John Kells Ingram was an Anglo-Irish scholar who played a notable role in an acrimonious late-nineteenth century methodological debate between the historical and orthodox economists known as the English *Methodenstreit* or 'battle of methods'. Ingram was an ardent supporter of the philosophical and religious system delineated by August Comte, and, in 1876, he wrote a paper in which he attempted to promote this system by articulating a Comtist interpretation of the historicist conceptual framework which had recently been made popular by his Irish colleague, T.E. Cliffe Leslie. The publicity surrounding this and subsequent publications by Ingram led to an explosion of interest in Comtism and initially assisted rather than hampered the historicists in their dispute with the orthodox economists. The rise of Comtism, however was short-lived, and both Comte and his writings soon fell into disrepute. In this paper I account for the decline in prestige of Comtism in late-nineteenth century England and determine the extent to which the historicists' association with this system of thought was a liability during the latter stages of the *Methodenstreit*,

Chikako Nakayama
The Collaboration between von Neumann and Morgenstern

Investigates the process of collaboration towards the book, *The Theory of Games and Economic Behavior* (*TGEB*), written by J. von Neumann and Morgenstern in 1944. I distinguish between three stages in the collaboration. The ideas of Morgenstern were important in each stage of the development, while the general framework had been already structured by the article of J. von Neumann in 1928. At the first stage of games of chance, where only each single player is treated, Morgenstern's concept of expected utility becomes very important. At the second stage of games of strategy, it is supposed that rational players act independently but in full consideration of the behaviour of others. Here Morgenstern contributed to the recognition of the problem as one of information. This second stage was decisive for the beginning of collaboration, but it also makes clear the different ideas that the two collaborators had about a 'solution' to the game. It becomes more explicit at the third stage. While von Neumann only made a suggestion as to the importance of coalition formation, Morgenstern began to point out the desiderata for a different 'solution' from that of the minimax type, considering the problem of mutual reaction. Further he wanted to be consistent methodologically. This consideration is reflected in the solution concept of *TGEB*, which still holds good as one of the alternative solution concepts.

Stephen Nash
Uncertainty and Welfare: Knight's Expansion of Welfare Economics

According to Frank Knight, uncertainty has a broad impact on economic actors which the standard notion of welfare fails to accommodate. Modification of this standard notion becomes problematical because it necessitates reflection on a series of incongruous moral arguments which are considered outside the scope of orthodox theory. Knight's solution to these incongruities is an expansion of economic welfare so that it embraces a consideration of both economic freedom and economic power. Knight argues that if we ignore his call to re-examine the orthodox conception of welfare economics, then the free-market system of exchange will come under significant threat.

John Nightingale
Anticipating Nelson & Winter: Jack Downie's Theory of Evolutionary Economic Change

Richard Nelson and Sidney Winter worked for many years on what became their *An Evolutionary Theory of Economic Change*, published in 1982. This book continues to have great influence on evolutionary economic thought. The ideas they develop have their genesis explicitly in Schumpeter and Simon. They argue for a formal theory of evolutionary change, using computer simulations rather than analytical methods. While their modelling techniques and the breadth of their vision for evolutionary theorising must be seen as seminal and effective innovation in economic theory, as with so much innovation, they were not the first inventors of such a theory. Close examination reveals that much of the economic theory was anticipated by Jack Downie whose book, *The Competitive Process*, was published in 1958. The extent of anticipation is remarkable, with not merely the elements of population ecology, selection and mutation, but the way in which they are theorised to work, being replicated by Nelson and Winter in the chapter of their book which presents the complete model. Moreover, when the remainder of their book is considered, we find that virtually every economic argument advanced by Downie has been presented afresh by Nelson and Winter.

Chris Nyland
Taylorism and Union-Management Cooperation for Enhanced Organisational Performance

Over the last decade a significant number of labour economists have argued that unions can obtain a more secure position, than they presently enjoy, by moderating their rent seeking behavior and emphasising an efficiency-enhancing approach to the employment relationship which aims to generate quasi-rents through productivity improving activities. An ironic feature of this debate is the fact that those who advocate union-management cooperation commonly assert it constitutes a rejection of Taylorism. Why such a claim is ironic is because the union-management strategy these individuals advance is all but identical to that advocated by the alliance sustained by the American trade union movement and the Taylor Society through the first half of the century. This paper examines the nature of this alliance.

Paul Oslington

Teaching Economics Historically

At the moment economics teaching in Australian universities consists of large core courses which tend to be pathologically ahistorical, and occasional extremely small specialist history of economic thought options. The dichotomy is becoming more pronounced as historical and institutional discussion is purged from core courses and the teaching of history of thought options becomes more marginal.

This paper makes some concrete suggestions for fighting this trend. The first begins from the observation that the history of economics can provide a useful framework for an excellent core economics course and argues that radical changes in the curriculum along these lines may be possible, particularly in departments where reassessment of the core courses is being undertaken and where it is (unsurprisingly) difficult to staff the core courses. The challenge for historians of economic thought is to reclaim the core courses and teach students something more edifying. An example is discussed of an "Introduction to Economics" course along these lines which I have taught for two years.

The second suggestion relates to specialist teaching and research. Judging by papers presented at previous HETSA conferences most emphasis is on topics and economists which do not connect with the currently dominant strands of economics. While this is understandable as we like to work on things we are sympathetic to, it does mean that the dominant modes of thought are seldom contextualised. The challenge here is to work more on the history of things like neoclassical general equilibrium theory and on major figures in modern economics.

Michael Schneider

Two Early Critics of Economic Rationalism: Sismondi and Carlyle.

This paper begins by considering the various meanings which have been attached to the term 'economic rationalism' since its coining, and by selecting the elements which most, if not all, have in common. It next compares economic rationalism so defined with what Sismondi in 1826 christened 'the orthodoxy' in political economy, and discusses Sismondi's criticisms of this 'orthodoxy'. The likely extent of the influence of Sismondi on the thinking of Carlyle, given that at the age of twenty-eight Carlyle translated Sismondi's 'Political Economy' article for Brewster's *Edinburgh Encyclopedia, is* assessed, and then Carlyle's critique of what he christened 'the dismal science' is discussed. The paper concludes by assessing the degree to which the Sismondi and Carlyle critiques have modern relevance.

Ajit Sinha
Hollander's Marx and Malthusianism: A Critique

Hollander has argued that Marx's doctrine of the 'increasing immiseration of the working class' crucially depends on an implicit theory of population that is Malthusian in nature, notwithstanding Marx's explicit anti-Malthusianism. To establish this thesis, Hollander argued that Marx's theory of wages is identical to, what he calls, the 'orthodox classical theory,' where a general positive relation between real wages and the rate of population growth is assumed and the subsistence wage is strictly defined as the wage associated with the zero rate of growth of population. The present paper argues that the theory of wages Hollander ascribes to Marx is simply not present in Marx's writings. Moreover, the paper argues that in Marx's theoretical framework an increasing immiseration of the working class could occur even in the case of a zero growth in population. The paper though agrees with Hollander on one score, that Marx had an absolute increasing immiseration thesis. Thus taking issue with all the other Hollander's critics who chose to make the thesis of 'increasing immiseration' as the main bone of contention in this debate.

Ajit Sinha
A Critique of Part One of Capital Volume One: The Value Controversy Revisited.

This paper argues that there is a shift in the problematic of *Capital* vol. 1 after part one. The problematic of part one falls within the framework of scarcity, whereas the problematic of the rest of *Capital* falls within the framework of surplus. This shift in problematic is related to an epistemological break from 'humanism' to 'ahumanism'. It argues that Marx's concept of labour-value must be understood in a surplus context. And for that, it makes a controversial claim that the status of labour-power as a commodity is not a theoretical aspect of Marx's analysis. Instead, labour-power being a commodity is just an ideological aspect of capitalism.

Matthew Smith
A Monetary Explanation of Distribution in a 'Gold Money Economy'

The classical economists and Marx explained distribution by taking the real wage as the exogenous variable to residually determine the normal rate of profit for a given technique of production. In a gold (or produced-commodity) money economy of the nineteenth century this meant the (gold) *money wage* was treated as an exogenous variable, through which distribution is mainly determined. This paper shows that consistent with a Sraffa model in which the real wage is not determined by the 'subsistence' of workers, it is more historically plausible to explain distribution in a gold money economy by treating the rate of profit as the exogenous variable, systematically governed by an 'autonomous' money rate of interest, so that the real wage is determined as a residual of the surplus product. Importantly, this explanation requires the *money wage* to be residually determined. The explanation is fundamentally based on the twin propositions that the money rate of interest was autonomously determined by politico-institutional factors and that the balance of power over wage-bargaining rested with capitalists. It is shown that our monetary explanation of distribution in a gold money economy is logically different to that which has been proposed in a fiat money economy, mainly because of the different manner in which the real wage (or price-wage ratio) is residually determined. The paper then examines the implications of this fundamental difference for the relationship between the interest rate, money wage bargaining and the price level in the two different kinds of monetary systems.

Michael White

The Most Impalpable of Ghosts: Jevons, Catena and the Laws of Supply and Demand

Summarising his position on value theory in the second edition of *The Theory of Political Economy*, W. Stanley Jevons introduced his now notorious 'catena': "Cost of production determines supply; Supply determines final degree of utility; Final degree of utility determines value". The statement has generally been regarded as incoherent because it privileges the role of demand as compared with supply. This paper argues that Jevons' argument now appears odd because he was using a framework different from that of later neoclassical theories. In particular, supply and demand, which were not theorised in functional terms, explained only market-period and not long-period prices. The reading of the catena as incoherent serves as an index of the ways in which the subsequent dominance of the 'Marshallian cross' confined the terms in which economists could understand references to 'supply and demand' in nineteenth-century texts.

HISTORY OF ECONOMIC THOUGHT SOCIETY OF AUSTRALIA

Business Meeting - Ninth Conference

University of New South Wales

12th July 1996

Nineteen 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 1995 meeting at the University of Queensland were confirmed.

2. *Matters arising* - members asked that the new guide-lines relating to the HETSA Prize be publicized widely.

3. *Chief Executive Officer's Report*:

Membership of HETSA had grown from 70 in June 1991 to 123 in June 1993 and to 154 in June 1995. The present number was 165 subscribers. Overseas membership had doubled in size from 27 to 56 members. It was hoped that a flyer in *HOPE* could be arranged to further boost membership.

An Income-Expenditure Statement and Balance Sheet as at 30 June 1996 was tabled and confirmed by the meeting. The balance sheet indicated a balance of accumulated funds of almost $11,000. It was foreshadowed that some of this balance would be used to attract leading international historians of thought to future HETSA Conferences.

A lively discussion ensued on how to more effectively raise the profile of HETSA vis-a-vis, for example, the more prominent economic history society. It was argued that we needed to publicize our activities more widely e.g. to have our activities noted in the *Economic Record*, to write to the Academy of Social Sciences, to protest to the ARC about the elimination of the HET category and to put on HET sessions at the Conference of Economists.

4. *HER Editor's Report*:

Since the last conference two more issues of *HER* had been published. No. 23 contained 185 pages and No. 24 had 145 pages. Since the first issue that the present editor started with was No.15, this last issue represented the tenth issue to be published under his editorship. He noted that an increasing number of leading international historians of thought were now subscribing and that HER was being cited more often in scholarly papers (including the recent AEA session on Keynes). Through the efforts of Ross Emmett on the North American HES network our activities are also been more widely noted.

The editor foreshadowed that two special issues of HER would be forthcoming in 1996 and 1997. He also indicated to members how a particularly testing interchange between two historians of thought had developed and been resolved.

5. It was confirmed that office bearers of the Society would be elected for two year terms. A reduced subscription rate for students ($10 and $US10 for overseas) was agreed on.

6. There was discussion on the desirability of annual versus biennial conferences. It was decided to stick with annual conferences for the time being although the funding constraints for academics to travel to conferences annually was noted. A questionnaire to members on the frequency of HETSA conferences was proposed. Perth was selected as the site of the 1997 Conference. The 1998 venue might be between the University of Western Sydney or a University in Victoria. Auckland put in a bid for 1999.

7. The organizers of the ninth conference were congratulated on the their organization skills, the splendid dinner and excellent speaker (Brian Toohey), and the impressive fireworks display on the harbour specially arranged for conference delegates.

The meeting closed at 10.00 a.m.