HETSA

History of Economic Thought Society of Australia

Tenth Conference

Conference Handbook

The University of Notre Dame Australia
Fremantle, Western Australia
16 - 18 July, 1997

HETSA

Conference Handbook

Conference Sponsors

History of Economic Thought Society of Australia
Economics Department, Curtin University
Economic Society of Australia (W.A. Branch)

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HISTORY OF ECONOMIC THOUGHT SOCIETY OF AUSTRALIA TENTH CONFERENCE

(COORDINATED BY CURTIN UNIVERSITY, MURDOCH UNIVERSITY AND THE UNIVERSITY OF NOTRE DAME AUSTRALIA)
UNIVERSITY OF NOTRE DAME AUSTRALIA, FREMANTLE, JULY 16-18, 1997

CONFERENCE PROGRAMME

Wednesday 16 July
Registration and Welcome Drinks
(University of Notre Dame, 19 Mouat St, Fremantle)
7-00 pm to 8-30 pm

Thursday 17 July
Registration
8-00 am to 8-30 am

History of Thought and Transmission of Ideas
8-30 am to 10-30 am

Chair: Ray Petridis

Societies, Journals and Research in the History of Economics
John Lodewijks

The Value of the History of Economic Thought
Ian Kerr

The Post-1945 Development of Economics in Western Europe
A.W. (Bob) Coats

The Post-1945 Development of Economics and Economists in Sweden
Bo Sandelin

Morning Tea

Neoclassical Themes
10-45 am to 12-15 pm

Chair: John Wood

Perfect Competition, Equilibrium and Economic Progress: That Wretched Division of Labour and Increasing Returns
Peter Groenewegen

Wicksteed and the Neoclassical Theory of Distribution
Paul Flatau

The Chicago Counter-Revolution and the Sociology of Economic Knowledge
Robert Leeson

Lunch

Marx and Veblen
1-15 pm to 3-15 pm

Chair: Ian Kerr

Marx, Money and Modern Themes
Douglas Vickers

Fisher and Veblen: Two Paths for American Economics
Robert W. Dimand

Thorstein Veblen's Theory of Collective Social Wealth
Phil O'Hara

Afternoon Tea

Household Income and Household Production
3-30 pm to 4-30 pm

Chair: Phil O'Hara

Measuring Household Income: Current Problems and Historical Perspectives
Warren Hogan and Susan King

Household Production and Economic Theory
Therese Jefferson

Cheap Money and Financial Instability
4-30 pm to 5-30 pm

Chair: Robert Leeson

Commonwealth and Cheap Money: Australian Economists at Ottawa
Sean Turnell

The Development of Minsky's Financial Instability Hypothesis
Steve Keen

Joint Session sponsored by Economic Society of Australia (WA Branch)
5-45pm to 6-30pm

A 'Second Edition' of Keynes's General Theory
Geoff Harcourt

6-30pm Drinks (HETSA conference participants and ESA (WA) members)

Friday 18 July

HETSA Annual General Meeting
8-30 am to 9-30 am

Pre-Keynesian and Post-Keynesian Themes (1)
9-30 am to 11-00 am

Chair: John Lodewijks

Mixed Goods and Social Reform
Rod O'Donnell

The Origins of the Phrase "Supply Creates Its Own Demand"
Steven Kates

Public Investment Programmes in the Interwar Period: The View From Geneva
Tony Endres and Grant Fleming

Morning Tea

Pre-Keynesian, Keynesian and Post-Keynesian Themes (2)
11-15am to 12-45pm

Chair: Rod O'Donnell

Dynamics in the Underground: Thought and Methodology in the Study of Investment Cycles
Jerry Courvisanos

A Survey of Policy Solutions to the Moral Hazard Problem arising from the Lender of Last Resort Facility
Greg Moore

Conflicting Interpretations of the Notion of Liquidity Preference: A Review and Synthesis of Post-Keynesian Perspectives
James Juniper

Lunch

Interwar Thought
1-30pm to 3-30pm

Chair: Peter Groenewegen

Kalecki's Pricing Analysis and the Development of Oligopoly Theory
Harry Bloch

From Giblin to Kalecki: The Export Multiplier and the Balance of Payments Constraint on Economic Growth, 1930-1933
John E. King

Hick's Traverse Theory: A Break With Value and Capital and a Critique of Classical Economics
Joseph Halevi

Afternoon Tea

Pareto and Boehm-Bawerk
3-45 pm to 4-45 pm

Chair: Harry Bloch

A New Edition of Eugen von Boehm-Bawerk's Innsbruck Lecture Notes on Economics
Shigeki Tomo

Pareto's Les systemes socialistes and Buchanan's Constitutive Elements of Public Choice and Economic Policy
Michael McLure

Concluding Session
4-45 pm to 6-15 pm

Chair: Paul Flatau

Petty, Southwell, Diamonds and Pilchards: Demand Theory, 1685
Frank Dunn

Economists on the Distribution of Wealth, 1776-1931
Michael Schneider

Mary van Kleek, Lillian Gilbreth and the Women's Bureau Study of Gendered Labor Law
Chris Nyland and Mark Rix

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LIST OF ABSTRACTS

KALECKI'S PRICING ANALYSIS AND THE DEVELOPMENT OF OLIGOPOLY THEORY

Harry Bloch, Curtin University

Kalecki builds his analysis of modern capitalism on an explicit microfoundation of imperfectly competitive pricing. The contribution of his pricing analysis to the study of income distribution and business cycles has been well established. What this paper will demonstrate is the relevance of his treatment of pricing to the subsequent development of oligopoly theory in both the post Keynesian and neoclassical literature.

Neoclassical economists have openly attacked Kalecki's pricing analysis as being tautological. In so doing they have ignored papers in which Kalecki explicitly derives pricing relations under imperfect competition form profit-maximising behaviour. It is shown that the analysis in these papers is closely related to the work of Keith Cowling, developing the role of conjectural variations in oligopoly theory. Conjectural variations are now widely employed in the empirical specification of pricing equations in the mainstream of economics. A direct correspondence between Kalecki's analysis and conjectural variation models of oligopoly pricing is demonstrated.

Kalecki's pricing analysis is more widely recognised among post Keynesian writers. However, the adequacy of his analysis as an explanation of pricing under conditions of oligopoly has been extensively criticised. Questions concerning the adequacy of his theoretical framework have been raised, particularly by Asimakopoulos and Kriesler, while the empirical relevance of his analysis has been questioned by proponents of full-cost pricing. Both these criticisms are addressed in the present paper and modifications of Kalecki's approach are shown to at least partially meet the objections.

THE POST-1945 DEVELOPMENT OF ECONOMICS IN WESTERN EUROPE

A.W. (Bob) Coats, University of Wollongong

This is a preliminary report on a collaborative research project incorporating ten country studies, each written by a participating scholar from one of the following countries: Belgium, Eire, France, Greece, Italy, Netherlands, Portugal, Spain, Sweden and the United Kingdom. The aims are:

1) to fill a significant gap in our knowledge of the history of economics in the post-World War II period. (There has been no previous comparative study of this kind);
2) to demonstrate how far there have been similar experiences and trends in the various countries;
3) to examine the effects of the movement towards European integration on the demand for and supply of economic expertise;
4) to consider how far there is still, despite American influence, a "European" economics. (Cf. The symposium in Kyklos Vol. 48 (2) 1995 pp.185-311.)

Among the issues involved are the following:

a) the remarkable expansion of higher education, which has enormously increased the supply of economists
b) the changing nature and content of graduate work in economics, with special reference to American influences
c) major trends and changes in economic ideas and policies, with special reference to such European issues as: economic integration; monetary union and the establishment of a single European currency; problems of small open economies (the list is purely illustrative)
d) the emergence of an economics profession (or professions), a process involving public recognition of the economist's special knowledge and expertise; an increase in career employment opportunities for economists, both academic and non-academic; and the growth of professional self-consciousness and/or confidence.

Needless to say, most of the above matters can only be touched on in a short conference paper. It is designed to elicit comments and suggestions.

DYNAMICS IN THE UNDERGROUND: THOUGHT AND METHODOLOGY IN THE STUDY OF INVESTMENT CYCLES
Jerry Courvisanos, University of Tasmania

Many quantitative studies have shown a stylised fact that fluctuations in business fixed investment dominate the business cycle pattern. The dynamics of the investment process have historically been seen as important elements of capital formation and economic progress. Why is it then that serious attempts to link these two aspects through rigorous

theoretical models have remained in the underground of the economics discipline? This paper has three aspects to addressing this question. First, it examines how the lack of an ethological base to the methology of neoclassical analysis (especially Real Business Cycle Theory and Neo-Keynesian Economics) marginalises the above dynamic realities. Secondly, it provides an historical account of dynamic models of investment cycles from Tooke, via Marx and Keynes, to modern Post-Keynesian and Neo-Schumpeterian writers; exposing the weaknesses in their methodological underpinnings which have condemned all such important work to the underground of economics. Finally, signposts are set out pointing towards the development of a strong rigorous human agency base which delves into perceptions and expectations of entrepreneurs who make investment decisions. Such a base will allow for dynamic investment models which can challenge for the mainstream against the current dominant static human agency base.

FISHER AND VEBLEN: TWO PATHS FOR AMERICAN ECONOMICS
Robert W Dimand, Brock University

Irving Fisher was a pioneer in developing or bringing to the United States many of the distinctive features and institutions of later American economics: general equilibrium theory, the application of mathematics to economics, econometrics (with his correlations of distributed lags), the monetary theory of fluctuations, the neoclassical theory of capital and interest (including his two-period consumption diagram), simulation models of the economy (with his hydraulic model), the Econometrics Society, and the Cowles Commission. His approach was the antithesis of the distinctively American institutional economics of Thorstein Veblen, coiner of the term "neoclassical economics" and, like Fisher, once a doctoral student under the Social Darwinist William Graham Sumner at Yale. Fisher and Veblen took methodological positions within a fairly diverse early 20th Century American economics profession, but outside its mainstream: as the profession grew less diverse, its approach became more and more like Fisher's.

The contrasting paths that Fisher and Veblen offered to American economics, and the arguments that each approach advanced to the other, are shown clearly in Veblen's Political Science Quarterly review articles savaging Fisher's Nature of Capital and Income (1906) and Rate of Interest (1907), and in Fisher's forceful reply.

This paper examines Fisher's role in shaping American neoclassicism, using the Fisher-Veblen debate to explore the neoclassical and institutionalist alternatives, and considers why American economics primarily followed Fisher's path. The paper also notes the links between Fisher's debt-deflation theory of depressions (1933), one of his contributions not absorbed into the neoclassical mainstream, and Veblen's Theory of Business Enterprise (1904).

PETTY, SOUTHWELL, DIAMONDS AND PILCHARDS: DEMAND THEORY, 1685
Frank Dunn

Petty was strongly attracted to physical and material factors in economics, and evasive and scornful of anything subjective. But in his Dialogue of Diamonds he was concerned to spell out reasons for their value, and so for their demand. But those reasons do not include that people like them. When he got into a controversy about demand with his friend Southwell, he was overbearing and reckless. But Southwell was no mean combatant, with ideas similar to Archbishop Whately's many decades later, and considerable confidence in tackling Petty's arguments.

Basically Petty asserted that pilchards and labour increased in price with their number. Southwell argued from facts and comparisons. He quite clearly grasped the declining demand function, and effectively tracked down Petty's attempts to shift the grounds from that to differences of circumstances, always to one more favouring his case.

PUBLIC INVESTMENT PROGRAMMES IN THE INTERWAR PERIOD: THE VIEW FROM GENEVA
A.M. Endres and G.A. Fleming, University of Auckland and Australian National University

Keynes paid tribute in the *General Theory* to one of the research orientations of International Labor Organisation (ILO) economists focussing on public investment programmes. This paper surveys the development of ideas on public investment at the ILO in the interwar period. Initially the Geneva researchers adopted a pre-Keynesian stance on public works as a means of temporary unemployment relief. By the early 1930s, influenced by under-consumptionist doctrine and by their familiarity with international experience of public works in the preceding decade, they moved to appreciate how deliberate deficit-financed government outlays could bolster aggregate demand and contribute to long term industrial development. The ILO economists advocated public investment as an integral component of discretionary macroeconomic management aimed at achieving high and stable levels of employment. Their advocacy depended on realising concerted international action to reduce unemployment.

In this they formulated policy prescriptions along 'Keynesian' lines before the appearance of the *General Theory*. Keynes' tribute may well have been understated.

WICKSTEED AND THE NEO-CLASSICAL THEORY OF DISTRIBUTION

Paul Flatau, Murdoch University

Wicksteed's monograph *The Co-ordination of the Laws of Distribution* (1894) is accepted as a major contribution to the development of a marginal productivity theory of distribution. Its key proposition is that each factor of production 'receives a share of the product regulated by its marginal efficiency as a producer' and that payment according to this principle exhausts the total product. Ian Steedman in an introduction to a revised edition of *The Co-ordination of the Laws of Distribution* sets Wicksteed's contribution to a marginal productivity theory of distribution within a wider context and in the present paper we extend Steedman's analysis. In particular, we focus on the distinction Wicksteed makes between an economically fair wage and a just income.

PERFECT COMPETITION, EQUILIBRIUM AND ECONOMIC PROGRESS: THAT WRETCHED DIVISION OF LABOUR AND INCREASING RETURNS

Peter Groenewegen, University of Sydney

This paper revisits some old problems of economic theory discussed in the work of Smith, Marx, Marshall and Allyn Young in a manner not generally congenial to contemporary practitioners of high theory. All four mentioned authors touched on what Marshall called, the 'high theme of economic progress' and the crucial role therein of increasing returns and the division of labour. From other perspectives, these topics are often seen as 'wretched' because they play havoc with conventional notions of perfect competition and equilibrium. Some of these issues were addressed by the author in earlier papers on Smith and the Division of Labour, and on History and Equilibrium.

HICKS' TRAVERSE THEORY: A BREAK WITH VALUE AND CAPITAL AND A CRITIQUE OF CLASSICAL ECONOMICS

Joseph Halevi, Centre d'Etudes sur la Pensee Economique, Universite Pierre Mendes France de Grenoble

This paper argues that the departure from the Temporary Equilibrium approach of Value and Capital led Hicks to lay the foundations of a systemic critique of Classical Economics. In Hicks' *Capital and Growth* this critique is merely foreshadowed in the chapter on primitive growth models but is not taken up in the Traverse chapter. The paper attempts to link them together and to argue that Hicks' work constitutes a fundamental epistemological critique of the concept of laws in economics.

A 'SECOND EDITION' OF KEYNES'S GENERAL THEORY

Geoff Harcourt, Cambridge University

Maynard Keynes wrote to Ralph Hawtrey in August 1916 that he was thinking of writing some 'footnotes' to *The General Theory* after he had absorbed his new ideas and responded to critics. He never did get to write them. Peter Riach, following the example of unfinished musical compositions being completed by others, suggested to me that we get a group of Keynes scholars to write essays on, first, what they thought Keynes would have written in, say, 1938 or 1939 and, secondly why they had done what they had done in the postwar period on aspects of *The General Theory*. The result is a two volume work, published in January 1997 by Routledge and edited by Riach and myself. The first volume has chapters which track the original chapters of *The General Theory*. The second has an overall view (by James Tobin), extensions and new developments, predecessors and successors. This paper presents the themes which emerged.

MEASURING HOUSEHOLD INCOME: CURRENT PROBLEMS AND HISTORICAL PERSPECTIVES

Warren Hogan and Susan King, University of Sydney

The main purpose of this contribution is an examination of the development of thinking about the measurement of national income and output. The particular interest lies in the measurement of household or personal income. Most attention is given to work by J.R. Hicks, J.E. Meade and Richard Stone in their contributions beginning more than half a century ago. However, their immediate predecessors in A.L. Bowley and Sir Josiah Stamp are acknowledged and drawn upon. Reference is also made to pioneers in thinking and measuring in prior times.

The origins of this paper lie in a contemporary issue, namely just what should be measured as household or personal income. With the proliferation of legislative measures and fiscal devices to foster savings and relieve the state of responsibilities for support in retirement and old age, there are complicated challenges as to what constitutes income and how sums are allocated to groups and sectors.

Measurement is bedevilled by the questions of assignment of ownership to households of revenue and expenditures as much as concepts bearing upon the use and interpretation of imputed values. Questions arise on the extent to which measurement should be based upon cash flows. Contemporary worries are used to illustrate what are the problems in contention, especially for different series such as national accounts and household expenditure surveys.

The main focus of the contribution is on enlightening current problems by an appraisal of what pioneers in thinking about concepts and measurements of national income and related series had to say.

Household Production and Economic Theory

Therese Jefferson

During the past three decades the productive nature of the household sector has received increasing attention from economists. Research has generally focused upon two main areas: estimating the monetary value of household production and applying the framework of neoclassical economics to household production decisions.

The aim of this paper, however, is to outline some other aspects of economic theory which may provide further insights into the links between the household sector and the broader economy. Some theoretical 'museum pieces' will be used to illustrate the potential application of elements of classical economics to the study of households. Possible reasons why is was not used in such a fashion until the 1960s will also be considered. Selected recent applications of economic theory will then be discussed. While some mention is made of Becker's neoclassical approach, the main aim is to demonstrate the potential understanding offered by analysis that focuses upon productivity and the accumulation of capital rather than the allocative mechanisms of markets.

Conflicting Interpretations of the Notion of Liquidity Preference: A Review and Synthesis of Post-Keynesian Perspectives

James Juniper, University of South Australia

In this paper I review recent Post-Keynesian debates about the notion of liquidity preference in the context both of Keynes' writings on and after the *General Theory* and also, modern portfolio theory. To this end, I review current efforts to integrate the approaches adopted by Tobin in his *General Equilibrium* perspective on monetary theory, Kaleckian theories of accumulation, and the Post-Keynesian tradition of monetary theory as represented in the works of Kahn, Davidson, Weintraub, and Kaldor, amongst others.

I utilise Randall Wray's application of Boulding's Balloons stock-price identity as a unifying platform to articulate both the workings of the liquidity preference mechanism and its effects over the monetary transmission mechanism. Moreover, Boulding's identity helps to clarify Keynes' arguments about the three essential properties of money, and the relationship which must obtain between flow demands for assets and their respective rates of return on one hand and stock demand for assets and their respective asset prices on the other hand.

Along the way, I demonstrate the affinity between Wray's analysis and that of Paul Davidson in his graphic depiction of equilibrium between the (stock-plus-flow) supply and demand for capital goods. I also review and criticise Girol Karacaoglu's somewhat neglected contribution to the crowding-out debate, which utilises a modified Tobin-style model of portfolio equilibrium.

The Origins of the Phrase "Supply Creates its Own Demand"

Steven Kates, Australian Chamber of Commerce and Industry

The phrase "supply creates its own demand" was first used by John Maynard Keynes in the *General Theory of Employment, Interest and Money* as his shorthand definition of Say's Law. This paper will attempt to answer two questions. Firstly, where did this form of words come from? Secondly, does the phrase properly capture the meaning of the law of markets as it was understood by classical economists? It will be argued that the phrase does indeed have its origins in classical theory and it will be shown that similar statements can be found scattered amongst classical writings. However, it is highly unlikely that Keynes would have read any of the original sources and that it is therefore almost certain that this conception was brought to his attention by someone else. It is argued that Keynes came upon the phrase in conversation with his close colleague Piero Sraffa. It will also be argued that while some of the meaning of the law of markets is captured by this form of words, the most important qualification has been ignored which has rendered Keynes' definition a caricature of its actual meaning.

The Development of Minsky's Financial Instability Hypothesis
Steve Keen, University of Western Sydney

While Minsky has retrospectively portrayed the Financial Instability Hypothesis as an interpretation of Keynes's General Theory, it began instead as an application of Kalecki's Principle of Increasing Risk, and an elaboration of Fisher's Debt Deflation Theory of Depressions. This paper details the evolution of the FIH from Minsky's first attempts to generate a finance-driven model of the trade cycle, and concludes with a mathematical model of the FIH which supports Minsky's conclusion that debt deflations are inevitable in a pure capitalist system.

The Value of the History of Economic Thought
Ian Kerr, Curtin University

There are many reasons for exposing students and practitioners of economics to the history of their own discipline. From time to time it is useful to reflect on the value of studying the history of a discipline, particularly when faced with opposition (on academic or resource grounds) from one's colleagues to teaching it. This paper surveys and critically evaluates the reasons that have been put forward for studying and teaching the history of economic thought. Among the reasons considered are: HET is intrinsically worthy of study; HET helps keep alive research paradigms that are alternatives to the prevailing orthodoxy and that may return to favour at any stage; HET exposes students to the comprehensive, holistic systems of thought of the great classical economists that inspire and reveal the full potential of economic theorising; the "research programmes" implicit in the writings of Smith, Marx, Keynes and others are not yet fully exploited: one cannot assume that current texts fully contain the distilled truths of their historical predecessors and that therefore the study of historical texts is unnecessary; the study of history helps one avoid repeating the errors made by one's predecessors; HET promotes a richer understanding of existing economic theory, problems and policy issues by providing knowledge of its historical origins and precedents; historical works written over a period of 200 years or more provide an enormous, fertile field of testable economic hypotheses for modern-day economists.

From Giblin to Kalecki: the Export Multiplier and the Balance of Payments Constraint on Economic Growth, 1930-1933
John King, La Trobe University

In this paper I outline and compare the export multipliers of L.F. Giblin (1930) R.F. Kahn (1931), Roy Harrod and Michael Kalecki (both 1933). The models differ in their treatment of savings, which are ignored by Harrod and not satisfactorily dealt with by Giblin; Kahn and Kalecki, in contrast, use a 'classical' or 'Post Keynesian" savings function, with savings out of wages assumed to be zero. Closer examination of Kalecki's export multiplier model reveals that he went beyond the other three theorists, posing a different and more challenging question: how large an increase in domestic investment can be supported by a given increase in exports before the economy encounters balance of payments difficulties? I conclude that Kalecki was an unacknowledged pioneer in the analysis of the balance of payments constraint on economic growth.

The Chicago Counter-Revolution and the Sociology of Economic Knowledge
Robert Leeson, Murdoch University

From the late 1950s, Chicago economists successfully engaged their Keynesian opponents in a statistical race; but simultaneously, Milton Friedman and George Stigler declined invitations from Edward Chamberlin (1957) and Christopher Archibald (1961) to participate in a statistical race over the comparative merits of monopolistic and perfect competition. Subsequently, faith in competition rose; while faith in Keynesian economics fell. This paper explores the 'internal' logic of these developments by examining Stigler's model of the sociology of economic knowledge construction and destruction. In this light, the successful Chicago agenda can be seen, in part, as the product of superior sociological perceptiveness.

Societies, Journals and Research in the History of Economics
John Lodewijks, University of New South Wales

We are overwhelmed by the quantity of books being published in our field through the entrepreneurial efforts of Mark Blaug, Craufurd Goodwin and Warren Samuels. On the journal front, where there was once just one specialist journal, there are now at least six journals. There have been healthy increases in membership of societies for the study of the history of economics. However, the state of research in our field is much more encouraging than the teaching situation or its status in the profession. There appears to be a contradiction between the recent explosion of HET literature and the sub-discipline's increasing marginalization in the profession. This paper examines recent developments in the sub-discipline

Pareto's *Les systemes socialistes* and Buchanan's Constitutive Elements of Public Choice and Economic Policy
Michael McLure, Curtin University of Technology

Vilfredo Pareto's *Les systemes socialistes* was originally published in two volumes in 1901 and 1902. Like the *Cours d'economie politique* that preceded it, the *Systemes* derives from lectures that Pareto had given at the University of Lausanne. It includes a framework for the analysis of socialist systems, and critique of social theories and doctrines which analyze and/or promote socialism.

The purpose of this paper is two fold. First, to review the general analytical framework employed by Pareto to consider political and social selection in the *Systemes*. Second, to consider the analytical framework of the Systemes in terms of 'constitutive' elements specified by James Buchanan in *The Constitution of Economic Policy'* (This article is a transcript of the speech that James Buchanan delivered on 8 December 1986 in Stockholm when he received the Nobel Prize in Economic Science. In large part it compares the finance theory of Knut Wicksell with that of the public choice school.)

The study will attempt to add to the very limited number of critical evaluations of the *Systemes* published in English, which is partly a result of the book not being translated into English. Since the *Systemes* is largely a study of political actions that reflect economic interests and political authority, as well as ideological influences, it can be profitably considered in the light of the constitutive elements in Buchanan's *The Constitution of Economic Policy.*

Pareto's framework has been previously compared with the public choice school. Jurgen Backhaus (1978) has already written about *Pareto on Public Choice*. However, his study is exclusively based on Pareto's *Trattato di sociologia generale* (first published 14 years after the *Systemes*). Since the *Systemes* involves a more basic analytical framework, elements which are the same, similar, different or opposed to Buchanan's constitutive elements will be more readily identified than a study of the *Trattato*.

A Survey of Policy Solutions to the Moral Hazard Problem arising from the Lender of Last Resort Facility

Greg Moore, Australian Catholic University

The provision of liquid funds via a lender-of-last-resort facility has been the chief means by which governments have chosen to prevent or stay bank runs. The introduction of such a facility, however, leads to a moral hazard problem which weakens each financial manager's commitment to sound banking, and which may make the few bank runs which do occur more dramatic in both size and seriousness. In this paper I provide an historical survey of the various policy measures which have been proposed to mitigate the effects of the moral hazard problem arising from the introduction of a lender-of-last-resort.

Mary van Kleeck, Lillian Gilbreth and the Women's Bureau Study of Gendered Labor Law

Chris Nyland and Mark Rix, University of Wollongong

In the 1920's members of the Taylor Society undertook a number of major studies that were of significant industrial and social consequence. Two of the better known of these investigations are the 1921 *Waste in Industry* report and the 1922 *The Twelve-hour Shift in Industry.* In both of these studies the researchers emulated the approach to problem solving advocated and practiced by Frederick W. Taylor. They refused to accept that the management of such issues as waste elimination and working hours should be based on custom, rule of thumb or untested assumptions. Such criteria were perceived to be unsound foundations for both management practice and public policy which it was insisted should be based on systematic and unprejudiced investigation.

This paper reports on a significant 1920s study where Taylor Society members applied this systematic methodology to a gender-specific issue but for which the scientific management movement has never been given due credit. The study examined the impact of sex specific labor law on women's labor force participation. It was commissioned in 1926 by the Women's Bureau of the Department of Labor with the investigation being overseen by a three person technical committee chaired by Mary van Kleeck and which included Lillian Gilbreth. Both of these women were members of the Taylor Society and their final 500 page report was published by the Bureau in 1928 as: *The Effects of Labor Legislation on the Employment Opportunities of Women.* Divided into three sections, the following paper begins by providing a brief sketch of the two scientific managers' involvement with women's issues; proceeds to examine the investigative methodologies they employed, and concludes by detailing the object, methodology and conclusions of the study.

Thorstein Veblen's Theory of Collective Social Wealth

Phillip Anthony O'Hara, Curtin University

This paper examines Thorstein Veblen's (1857 - 1929) theory of collective social wealth. It is argued that Veblen developed two theories of wealth generation, or multiple perspectives along a broad continuum, one of which was narrow and the other which was general. The narrow theory was based on the industry-business dichotomy, and the instincts of workmanship and pecuniary interests, while the general theory was based on a theory of positive verses negative instincts or influences. In Veblen's general theory, the positive instincts include workmanship, parenthood, and idle curiosity, which promote the social reproductive wealth within institutions through community and a holistic and communicative social economy in which economy does not dominate society. The negative instincts or influences of pecuniary interests, emulation, and predation, on the other hand, promote the underdevelopment of the cultural fabric of the social economy; when they become dominant, the political economy is fragmented in the sense that we have the high likelihood of depression, stockmarket crashes, and deep social ills. When the positive instincts dominate the negative ones, socioeconomic progress is in evolution; when the negative ones dominate the positive, instability and social distress become evident; and when the two are of about equal force, a moderate degree of tranquility is in evolution.

The Post - 1945 Development of Economics and Economists in Sweden

Bo Sandelin, Niklas Sarafoglou and Ann Veiderpass, Gothenburg University

The post-1945 era in Sweden, as well as in many other countries, has witnessed the success and decline of Keynesianism and other kinds of interventionism, the rise of the Welfare State and its subsequent decline, a huge growth together with continuous internationalization of economics as a university discipline, and a quite extensive involvement in public life by economists.

In this paper we treat some aspects of these issues. First, we discuss the changes in the university system, including a growth from 8 extensively defined chairs in economics in 1945 to 57 more narrowly defined chairs in 1996. After that we take up some aspects of the internationalization of Swedish economics. Internationalization is not a new process; the introducers of neoclassicism in Sweden a century ago were also highly internationalized.

We devote considerable space to the role of Swedish economists in policy-making. As the country is small and the required amount of economic expertise in government is not proportional to the size of a country, Swedish economists tend to spend much effort in public affairs; they tend to be *policy-intensive*. Furthermore, during most of the post-war period, Sweden has had a Social Democratic government inclined to intervene in economic affairs. This has left room for economists; policy making has tended to become *economist-intensive*. We discuss the contributions by economists in commissions, in the Parliament and as ministers, and in public discussion. European integration implies that economic policy decisions are to a larger extent taken on a European level, instead of in each individual country, especially if the monetary union is created. This will probably conduce to less involvement in public affairs by Swedish economists.

Economists on the Distribution of Wealth, 1776 - 1931

Michael Schneider, La Trobe University

Leading contributors to economic thought over the centuries have not believed it incumbent on them to include in their works a discussion of the distribution of wealth, as distinct from the distribution of income, which unlike wealth, as Cassel put it, has a time dimension. This paper outlines what was said on the distribution of wealth by the exceptions to this rule, from Adam Smith to Josiah Wedgewood. In addition to the aforenamed, those considered include Sismondi, William Thompson, Marx, John Stuart Mill, Cannan, J.B. Clark, Hobson, Pigou, Dalton and Tawney. The paper shows that most of these writers found there were some legislative acts designed to reduce the concentration of wealth in their day which would increase, rather than reduce, the level of national production, and that they accordingly concluded there was no economic justification for opposing such legislative acts. It finally speculates on why so many economists during the period under review preferred to turn a blind eye to this question 'in which the ordinary person is interested.' (Cannan).

A New Edition of Eugen Von Bohm-Bawerk's Innsbruck Lecture Notes on Economics

Shigeki Tomo, Kyoto Sangyo University

This paper shows some aspects of Eugen von Bohm-Bawerk's lecture activities or styles on Economics, based on a new edition (TOMO, Summer 1997, Metropolis-Verlag in Marburg) reconstructed from two sets of notebooks on Bohm-Bawerk's lecture course on Economics, which were handwritten by different writers during different semesters in the 1880s.

The contents of the first set (preserved now in the Menger Library at Hitotsubashi University in Tokyo) had been transcribed and published by TOMO just ten years ago (1987) and those of the other were, which had appeared and been bought by me in December of 1995, also transcribed by the end of October of 1996. Both have different explanations on the same topic, which was plausibly caused by Bohm-Bawerk's change in teaching between semesters, but sometimes share the identical sentence, especially in parts of definitions or economic laws. It follows that Bohm-Bawerk had his own lecture notebook(s); he read out established knowledge from it/them and sometimes explained some theme freely without consulting it/them.

The procedures for my new edition as well as some evaluations on the role of his lecture activities to the development of Bohm-Bawerk's ideas on interest and capital theories will also be presented.

Commonwealth and Cheap Money, Australian Economists at Ottawa

Sean Turnell, Macquarie University

The Imperial Economic Conference which met in Ottawa in July 1932 was a watershed event in the conduct of international trade between the world wars. Coming less than a year after the United Kingdom's historic break with free trade, the Ottawa agreements marked an attempt by the members of what was then the British Commonwealth to construct an imperial division of labour via tariff preferences. But for three of Australia's most prominent economists, Douglas Copland, Edward Shann and Leslie Melville, Ottawa was less about trade policy than it was about money. Convinced that it was via a global policy of "cheap money" that lay the solution to the economic ills which beset Australia and the world, Ottawa provided the Australian economists with the opportunity to propagate their conviction as to the efficacy of an expansionary monetary policy directed from London, the world's largest financial centre and the key to the monetary policies of that large group of countries attached to Sterling. Using archival resources never examined before, this paper will document this advocacy and the theoretical positions upon which it was based. It will attempt to demonstrate that rather than slaves to theoretical orthodoxy, Australian economists in the 1930s were informed consumers of an alternative discourse which would reach fruition with the publication of Keynes's *General Theory* in 1936. It will conclude that Australia's well known advocacy of international full employment policies in the 1940s was not, therefore, as revolutionary as once believed, but rather was the culmination of a less analytically armed "vision" of an earlier time.

MARX, MONEY AND MODERN THEMES
Douglas Vickers, University of Massachusetts, Amherst

Following a summary review of some of the principal issues in monetary theory in the preclassical eighteenth century, in which the significance of monetary circulation for the level of employment and activity was widely discussed, the paper addresses the different theoretical predilections of the classical period. Note is taken of the ascendancy of Real Analysis, the pervasive assumption of Say's Law, the veil of money and monetary neutrality, and the consolidation of the quantity theory of money.

Marx's significant contributions to monetary economics reside not on the level of the quantity theory of money. His importance rests in his demonstration of the possibility of interruptions and dislocations in the monetary flow process that result from the impacts of real historical time. In that argument he dissents from Say's Law and envisages and explains the reasons for monetary-financial crises.

The paper notes the respects in which the Wicksellian cumulative process also involves a dissent from Say's Law and envisages endogenous money creation and instabilities in the money flow process.

Implications are drawn for modern themes in monetary analysis. Issues highlighted include the significance of real historical time, money as a time-and-uncertainty phenomenon, the non-neutrality of money, the analytical deficiencies of quantity theory arguments and the new classical-rational expectations theory, the unknowability of the future and the necessary dissent from the use of the probability calculus, and the reasons why analytical inventions cannot be safely entrusted to the omniscient "rational economic man".

Barry Gordon Prize

Best first paper by a postgraduate student presented at a HETSA Conference

1997 WINNER

Michael McLure

Judge: Ray Petridis

HISTORY OF ECONOMIC THOUGHT SOCIETY OF AUSTRALIA

Business Meeting - Tenth Conference

University of Notre Dame, Freemantle

Friday, July 18, 1997

Twenty seven members were present. Ian Kerr was in the Chair. John Lodewijks acted as minute secretary. The meeting commenced at 8.30 a.m.

1. Minutes of the July 1996 meeting at the University of New South Wales were confirmed.

2. Matters arising - Ian Kerr outlined his discussions with Ross Milbourne regarding the ARC classification for history of economic thought and Peter Groenewegen foreshadowed a Malthus Session at the 1998 Conference of Economists at the University of Sydney.

3. *Chief Executive Officer's Report:*

   Membership of HETSA had reached a plateau with the present number of 173 subscribers, of which 61 were international subscribers.

   A discussion then ensued about whether there would be any net advantages to HETSA of its journal being produced by a major publishing house. Some members expressed concern about any accompanying rise in the subscription price. The CEO was asked to investigate the possibilities of such an arrangement with Blackwells, Routledge and other major publishing houses. The possibility was also raised of a HER readership survey relating to such issues as font size.

   Discussion also focussed on the accumulated funds ($13,262) and possible tax implications. It was noted that any significant fall in the subsidies currently provided by UNSW and Curtin would alleviate such concerns.

4. *HER Editor's Report:*

   Since the last conference, two special combined Winter-Summer issues of *HER* had been published: No.25 on Keynes and No.26 on the Austrians. The editor was delighted to be ahead of schedule again with the next issue not due until 1998. He warmly thanked Tony Endres, Athol Fitzgibbons, Bruce Littleboy, and Colin Rogers for their contributions as *HER* guest-editors.

Awareness of *HER* had increased significantly through the promotional efforts of Ross Emmett on the North American HES List. As a result sales of No.25 had increased significantly. HETSA also received a four page write-up in the British HET Newsletter (Summer 1997 Issue) and a full page advertisement in HOPE (Winter 1996 and Summer 1997 issues).

5. The CEO and *HER* Editor were elected for another term of office. The issue of HETSA membership fees was deferred to the next meeting. HETSA participation in the ISHET Summer School in Venice was approved in principle subject to the extent of our financial contribution and request for pro rata representation. In this context, it was thought desirable to establish a register of those doing post-graduate study in HET in Australia.

6. The University of Western Sydney (Macarthur) was selected as the site of the 1998 Conference. The Australian National University was regarded as the most suitable venue for the 1999 Conference.

7. Other Business:

   Robert Dimand brought to the attention of members the possibility of an International Congress in History of Economic Thought to be held in 2000/2001 in Montreal. Richard Arena was a contact person in this respect. Joseph Halevi suggested a formal link with the French History of Economic Thought Society and that we consider inviting the President of that Society to our next HETSA Conference. Warren Hogan suggested we look into promoting HETSA more actively via brochures and other means.

8. It was noted that 42 people attended the Freemantle Conference including a number of overseas speakers (Bob Coats, Robert Dimand, Geoff Harcourt, Bo Sandelin, Shigeki Tomo and Doug Vickers). The Conference dinner will be especially remembered as it commemorated the tenth HETSA Conference and members were entertained with amusing accounts of the first conference in Armidale by Peter Groenewegen and Geoff Harcourt. Geoff Harcourt moved a vote of thanks to the organizers Ian Kerr, Ray Petridis and John Wood for being gracious and splendid hosts.

The meeting closed at 9.45 a.m.