

ABSTRACTS OF PAPERS FROM THE FOURTH HETSA CONFERENCE

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(Copies of the papers may be requested from the authors)

The Institutionalization of Political Economy in British, European, American, and Japanese Universities in the 18th and 19th Centuries

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This international comparative research project covering some eleven countries, and organised jointly by scholars at the Universities of Cambridge, Florence, and Paris, is undoubtedly the most ambitious of its kind ever undertaken in our subject or, perhaps, in any single academic discipline. The general objective has been to examine the origins and trace the development of the teaching of political economy, in any of its various manifestations, in institutions of higher (and sometimes lower) education in relation to such general issues as: the initiators' and sponsors' aims; the state of the contemporary economy, polity and society (including the 'stage of economic development'); the subject-matter taught (in terms of method, doctrine, ideology, and policy views); the character of the student body; the nature and development of the educational system; the position of the professor in society; and, where appropriate, the beginnings of an academic profession.

'Country' volumes are in various stages of preparation (e.g. the American, French, and Japanese volumes are in or about to go to press, and the British volume is well advanced) and in most cases they will be published in English. A general volume of abstracts of papers, with an introduction designed to draw comparisons, is under active consideration.

The lecture will focus on some of the preliminary findings and their implications for our understanding of the general history of the discipline.

The scope for parallel studies in other countries is obvious, as is also the possibility of extending the project at a later stage into more recent periods.

Michal Kalecki: Modern Marxist, Major Postkeynesian or Minor Neokeynesian

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In the history of economic thought, Kalecki occupies a rather strange place. Kalecki can be located within three different analytical models, depending on the writer's perspective. Some writers (like Bruce McFarlane) regard Kalecki's work as based on the Marxian schema of reproduction and thus a development of Marxist thought within the long-term dynamics of monopoly capitalism. Others (like Joan Robinson) see Kalecki as the major inspiration towards forming a new paradigm of PostKeynesian economics. Still others (like Paul Samuelson) regard Kalecki as someone in the shadows of Keynes who simply added academic support to the traditional Keynesian model.

To understand such diverse labelling, this paper uses Kalecki's own writings and the different historical contexts in which these writings were developed to see how various schools would have incorporated him in their particular school of thought. The place and timing of Kalecki's writings is central to this analysis.

Whatever Happened to P.W.S. Andrews' Industrial Economics?

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Few industrial economists nowadays pay much attention to the work of P.W.S. Andrews, who founded the Journal of

Industrial Economics and was its general editor for nearly twenty years. This is argued to be an unfortunate state of affairs, since Andrews appears to have pioneered a number of concepts that are now familiar, albeit with different names, to industrial economists. Andrews is shown to be a behavioural economist whose theory of competitive oligopoly incorporated, among other things, what we now call contestability, organisational slack, X-inefficiency, mark-up pricing, managerial limitations on corporate growth, internal labour markets and an hierarchical view of consumer decision processes.

The Problem of Scarcity and the Christian Fathers

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For the Fathers, the problem of scarcity exists despite the beneficence of a Creator who: (a) gives material things abundantly, and (b) has bestowed resources in common on mankind. Nature is bountiful rather than niggardly. The basis for the Fathers' stance, in biblical literature, is the text of Genesis 1: 28-31.

There is no general difficulty involved in producing sufficiently to meet the needs of mankind. Hence, scarcity, as a general problem, is engendered by behaviour relating to consumption and distribution. Such behaviour can be modified, if men have the will. Therefore, scarcity is man-made. It is not a condition of existence willed by the Creator for mankind even in its fallen (i.e. post-Garden-of-Eden) stage.

The thought of the Fathers concerning economic classes is usually couched simply in terms of rich and poor. The rich impose scarcity on themselves by,

- (a) continually expanding their consumption horizons; and
- (b) hoarding wealth against the threat of future need.

Hence, the rich can free themselves from the pressures of scarcity by adopting more modest consumption patterns and by decreased anxiety about the future.

By contrast with the rich, the poor have the problem of scarcity, thrust upon them by institutionlised economic inequality. This inequality is engendered by.

- (a) the existence of private property;
- (b) the covetousness of mankind; and
- (c) the disproportionate direction of work-effort to satisfying the luxury demands of the rich.

The most common, general solution offered by the Fathers for combatting the incidence of scarcity is, radical charity on the part of the rich. This solution is in line with their stewardship theory of property rights and the high incidence of poverty in many regions during the late Roman Empire. They also reason that the rich will gain spiritually through their giving, and they will also gain psychologically by reduced attachment to accumulated property.

A variety of questions is raised by this Solution by Charity, and some of these questions are debated by the Fathers. The issues include, how much should be given by the rich? The general answer is, all above the ordinary needs of life. This answer gives rise to the further question of whether or not the standard of living can be viewed as a fixed datum. A number of Fathers treat the standard as variable, and they allow the legitimacy of some persons continuing to live at an above-average standard. A further question is whether or not the giving by the rich should be discriminate or indiscriminate. This too is debated. Also, there is the issue of liquidation of assets. How far should this latter extend through property in slaves, houses, and land?

A less common general solution is that of communalisation of property. This was adopted in practice by the monastic communities. Its most prominent advocate as a policy for society as a whole was St. John Chrysostom.

In favour of the Solution By Communalisation it was argued that common ownership of property is in accord with the Creator's action of bestowing resources commonly on mankind. Further, it is in accord with the example of the primitive Christian Church in Jerusalem, as depicted in The Acts of the Apostles. Common ownership would also relieve individuals of the spiritual dangers arising from private possession of riches.

Against the arguments for communalisation, it was contended that social and material inequality based on private ownership was providential. That is, the system is allowed to persist by God as a means of producing socially beneficent results from what is a fundamentally objectionable social order. How could the institution of private property be beneficial? In the first place, the resulting inequality creates a class of persons who need to work to survive. The major benefit is that working frees these people from the temptations of idleness. In the second place, the inequality creates a class of affluent persons who can achieve eternal salvation by disposing of their capital in charitable acts.

Other arguments against common ownership of property were, that such a system reduced the scope for charity, and it engendered less need for work. Rather less facile was the point that common ownership did not make individuals any less covetous. Communalisation did not eliminate this fundamentally anti-social trait of fallen man.

In the light of the subsequent history of economic theory and policy, both of the Fathers' Solutions must be rejected as patently inadequate. The Solution by Radical Charity has not been implemented except on a small scale and in very particular circumstances. The Solution by Communalisation has proved effective in "siege" situations, but breaks down quickly unless supported by a totalitarian state apparatus.

A major factor which the Fathers did not take into account was the importance of the exercise of entrepreneurship in the solution of the scarcity problem. This is understandable given the totalitarian nature of the economic regime in the later Roman Empire. Rentiership was rampant, and the phenomenon of entrepreneurship was hard to identify as a social variable significant for general economic welfare. What the Fathers may have made of a laissez-faire economy must remain highly conjectural. However, it is certain that they would reject atomistic-liberalism as a gross distortion of what it means to be a person in society.

Joseph Chamberlain, the Economics of the Tariff Reform Campaign and the View from the Periphery

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The paper considers the current state of opinion concerning the extent of the economic arguments involved in the tariff reform campaign of the early twentieth century. It reviews the work of Coats, Marris and others as well as introducing the way in which Edgeworth and Bickerdike's writing could have been used to greater effect.

The second part of the paper is devoted to the examination of how such ideas were received by the Empire Partners focusing particularly upon New Zealand.

The Changing Concept of Scientific History: from Vico to Ladurie

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Two recent developments in the philosophy of socio-historical explanation make possible a new argument about the possibility of a science of history. Firstly, a revolution in understanding the structure of scientific explanation has overthrown the time-worn empiricist account. We are now in a much better position to understand the progressive and powerful character of the natural sciences. Secondly, there has been a near revolution in the understanding of human action and social structures and how they relate to each other. Unfortunately, however, the debate over the scientific character or otherwise of the study of history has not yet taken sufficient account of these developments.

The reason why these developments can transform the debate are, firstly, that it has been taken for granted for the past 200 years that empiricism has been a more or less adequate account of natural science; and secondly, for the first time a fully-fledged realist philosophical account has only just been developed to provide a basis for a science of society which is truly analogous to, but not the same as, natural science. These developments owe much to the reappropriation of earlier realist philosophies from the seventeenth and eighteenth centuries that were long obscured by the bulk of empiricism.

This paper tries to locate these recent developments as a response to the variegated history of this idea. The notion of scientific history has gone through many transformations in the past 250 years and obviously all I can do here is give a

very rough sketch of this tortuous path. And of course my aim in presenting this history dictates what I emphasise and how I understand it, as constructing a methodology that can produce more plausible explanations of economic and social history.

Keynes on Mathematics: Philosophical Foundations and Economic Applications

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Keynes's remarks on the role of mathematics in economics have often been commented upon, but their philosophical foundations have never been adequately explored. The first part of the paper outlines the philosophy of quality and quantity implicit in Keynes's philosophical writings. Paradigmatic here is the logical interpretation of probability advanced in his main philosophical work, the Treatise on Probability, especially the important distinction between the families of numerical and non-numerical probabilities.

Part II of the paper discusses the manner in which these conceptual foundations become major determinants of Keynes's views on the contributions that mathematics and econometrics can make to social sciences such as economics. Formal analyses are neither rejected out of hand, nor elevated as the appropriate models of rigorous reasoning that economics should imitate. They are accepted as having a legitimate role within a highly circumscribed domain, their limited scope being chiefly due to the logical obstacles preventing justified application to many phenomena. In Keynes's scheme, mathematics thus has utility, but this utility is quite restricted. What have equal, if not greater, significance are non-mathematical, qualitative modes of discourse and demonstration, especially logically rigorous verbal argument and intuitive insight.

Veblen's Principles of Institutional Structure and Evolution

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Many critics of institutional political economy argue that this school seeks no consistent set of principles, or utilises a purely descriptive methodology. This paper examines these claims in the light of the work of Thorstein Bunde Veblen (1857-1929), the father of institutionalism. The claims are rejected on the basis of Veblen's attempt to devise principles of political economy which correspond with the social relations of the economic system in question. We investigate his principles of (1) historical specificity, (2) capitalist institutional structure, (3) linkage and circular motion, (4) cumulative causation, (5) capitalist instability and crisis, and (6) metamorphosis and long-term evolution. These principles are then subjected to a critique based on an explicitly institutional frame of reference (rather than the claims of inconsistency and description).

Mathematical Models of Malthus

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This paper looks at two recent attempts to derive mathematical models of the economics of T.R. Malthus, viz. (1) W.A. Eltis, The Classical Theory of Economic Growth, 1984 and (2) L. Costabile and R. Rowthorn, "Malthus's theory of wages and growth", Economic Journal, Vol. 95, 1985, pp. 418-37.

The main features of the models are discussed, with particular emphasis on their textual authenticity.

The paper concludes by suggesting that these models might be usefully developed by giving more emphasis to the following features of Malthus' system:

- (a) an integration of the Principles of Political Economy and the Essay on Population to establish what Spengler has called Malthus' "Total Population Theory"
- (b) the distinction between Malthus' preferred model (or his "exhortatory" model to use S. Hollander's term), and what might be called his warning model.
- (c) the concept of reciprocating causality (or the "circle of causes and effects")

- (d) his "doctrine of proportions" (i.e. his attempt to specify the optimum level of each determining variable), and hence the essential non-linear parabolic nature of many of his functions.
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The Wages Fund and Unemployment in Classical Economic Theory

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Malinvaud, in The Theory of Unemployment Reconsidered (1977), argued that unemployment may occur in the absence of demand deficiency, due to the real wage rate being too high for firms willingly to supply output at a level as high as full employment. To describe such disequilibrium in the labour market Malinvaud coined the term "classical unemployment", contrasting it with "Keynesian unemployment". This paper argues that some justification for Malinvaud's term can be found in the writings of the classical (as opposed to neoclassical) economists.

The paper begins with a formal exposition of the Wages Fund doctrine, showing that an explanation of unemployment is a corollary of the doctrine. It then traces the history of the role of the doctrine in classical economic theory, highlighting the increasing importance which came to be attached to the unemployment corollary, and discusses the role of the latter in the criticisms of the doctrine which appeared in the eighteen-sixties and in John Stuart Mill's well-known recantation. It concludes by finding that this "classical" theory of unemployment shares some important characteristics with Malinvaud's theory.

The First and the Second Austrian Schools: an Interim Report with a Study in Contrasts

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In this paper, I propose to examine the burgeoning body of literature produced by the younger Austrians now working in America, and to see how it links up with the material produced by the older Austrians. I think it possible that there may be

certain unrecognised differences, occasioned by the Second Austrian School's education, in late twentieth century America, in neoclassical economics.

Frightening the 'Landed Fogies': the Political Utility of W.S. Jevons' the Coal Question

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W.S. Jevons' The Coal Question (TCQ) was first published in 1865, but its success followed its citation in Parliament, by J.S. Mill and W.E. Gladstone, the following year. It has sometimes been suggested that TCQ's proposal for a reduction in the National Debt, to meet the future inevitable decline in British manufacturing supremacy, influenced the content of Gladstone's 1866 budget. Examination of this episode thus provides the opportunity to examine, via a specific case, the effect of economic analysis on nineteenth-century budgets. It will be shown that while TCQ's role was that of a trojan horse to divert potential opposition from the budget, its tactical use can be understood within the terms of the 1860s Gladstonian budgetary strategy, the formulation of which owed little to economic theory.

Perfect Competition as a Policy Norm: Economists and Antitrust Policy in the 1930s

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Writing on antitrust policy prior to 1914 was based largely upon the principle that such policy should be directed to the lowering of barriers to entry. After the war, the model of perfect competition was increasingly used - both for positive theorising and as a normative standard for microeconomic policy.

If one is to understand the debates over antitrust policy between the war and the publication of J.M. Clark's "Towards a Concept of Workable Competition" (1940), one must understand the tension within the profession over the usefulness of perfect competition as a policy norm. The Monopolistic

Competition party (led by Chamberlin and Burns) advocated the standard of perfect competition; but throughout the 1930s a rear-guard action, led by J.M. Clark, fought for the old approach of J.B. Clark. Accordingly, J.M. Clark's famous paper of 1940 should not be seen as the first paper in opposition to the standard of perfect competition but, rather, it should be seen as a paper stemming from the long-established approach to antitrust policy of J.B. Clark and Alfred Marshall.

Natural Jurisprudence and the Labour Theory of Value in
Adam Smith

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In this paper, I argue that Smith did not adhere to a labour theory of value in the Wealth of Nations, except for a very special case in the early trade state, in that labour was not the unique creator of value as it is in Ricardo and Marx. I try to show that the component-parts-of-price approach of WN is more consistent with Smith's moral philosophy and natural jurisprudence. In particular, the theory of property developed in the latter, and based on the former, significantly breaks with the Lockean labour approach. Consequently one cannot assume that Smith would also begin his value theory with the Lockean notion that "labour puts the difference on value." The main body of the paper presents a discussion of Locke, Smith, Grotius, Hutcheson, and Hume on property.