

Report of the Fifth HETSA Conference

The fifth biennial conference of the History of Economic Thought Society of Australia was held in Canberra, 3-6 July, 1989. Twenty-two papers were presented over the four days, and included contributions from America, Canada and New Zealand as well as Australia. We publish here (in order of presentation) the authors' abstracts. Readers wishing to see the papers in full should contact the various authors directly, or through the editor of the *HETSA Bulletin*.

Barry Gordon, "Patristic Economic Doctrine: Ambrose of Milan and Augustine of Hippo".

Ambrose (339-397) and Augustine (354-430) were two of the leading Christian Fathers of the West. There are a number of points of contact evident in their social thought. However, their approaches to economic phenomena display some marked differences.

The elder of the two emerges as a conservative figure, strongly attached to the writings of the Stoics and to traditional Roman agriculturalism. Ambrose is sometimes portrayed as an advocate of a communistic economic order, but this was not the case. He has little or no time for trading and commercial activities. The community will solve its economic problems by devotion to agricultural pursuits, and by the extensive application of Christian Charity in matters of distribution.

Augustine's approach is much more dynamic, and he adopts a linear view of history in which conflict accounts for observable change. This view seems to open up the possibility that there might be economic growth. Augustine treats production as a natural activity, and work as a type of participation in a Divine plan. However, like J.S. Mill, Augustine draws a sharp distinction between production and distribution. The latter is not a matter of natural processes, and there is no guarantee that the system will work equitably.

Roman Ohrenstein, "Game Theory in the Talmud".

Abstract not available.

Michael Schneider, "Sismondi and Laissez-Faire".

The purpose of Sismondi's first work in the field of political economy, *De La Richesse Commerciale* (1803), was to present Adam Smith's ideas to French readers. At that time Sismondi was as much a supporter of *laissez-faire* policies as Adam Smith had been. By 1815, however, when he wrote an article entitled "Political Economy" for Sir Daniel Brewster's *Edinburgh Encyclopaedia*, Sismondi had come to the conclusion that the theory put forward in the *Wealth of Nations* was defective in some respects, notably in its failure to recognise that a continuing increase in the wealth of a nation may sometimes be prevented by inadequate consumption on the part of its population. This view was advanced more strongly in the first edition of Sismondi's *Nouveaux Principes d'Économie Politique* (1819), and more strongly still in the second edition of that work (1827). This led Michael Bleaney to claim that the "implication of Sismondi's theory is that capitalist production cannot last as it is, since it 'cuts its own throat', and the only solution is for the government to intervene radically in the economic sphere" (*Underconsumption Theories*, p.77). Thomas Sowell, on the other hand, concluded with respect to Sismondi that "perhaps the fairest summary of his position is that he favoured the principle of nonintervention but allowed numerous specific exceptions", and that his "inconsistency was perhaps no greater than that of Adam Smith on the same subject ..." (*Say's Law*, pp. 67-8). This paper, drawing on the two editions of the *Nouveaux Principes* in particular, discusses the two faces of Sismondi's views on *laissez-faire*.

David M. Hart, "The Debate about the Profitability of Slavery in French Political Economy during the 1820s".

An important discussion of the profitability of slave labour broke out during the 1820s as a response to the opinion of Jean-Baptiste Say in early editions of his *Traité d'économie politique* that slave labour, although completely immoral, was very profitable to the slave owners. This view was disputed by Adam Hodgson on behalf of the British Society for Mitigating and Gradually Abolishing the State of Slavery throughout the British Dominions, who maintained that slave labour was both an inefficient and immoral system of labour. Henri Storch's work on the various forms of compulsory labour in Russia also added to the reworking of Say's attitude towards the viability of slave labour in later editions of the *Traité* (e.g. 5th edition of 1826) and in his *Cours complet* (1828). The debate reveals the difficulties faced by liberal political economists in determining the merits of free and coerced labour, the possibility of "progress" and the methods by which slavery could be abolished with minimal disruption.

Tony Endres, "Adam Smith's Rhetoric of Economics".

This paper illustrates the importance of compositional conventions in influencing the form and selectivity of Smith's argument, and in affecting Smith's use of historical data, in the *Wealth of Nations* (WN). Smith's *Lectures on Rhetoric and Belles Lettres* (LRBL) indicate that he was a sophisticated rhetorician. The LRBL provides rules for composing various forms of narrative, didactic and rhetorical discourses. This paper considers connections between the LRBL and WN, first by reviewing existing secondary literature which has neither been exhaustive nor conclusive. Second, an exegesis is made of Smith's "violent attack" on mercantilism with reference to the chapter on bounties in Book Four of the WN. Two variants of rhetorical discourse are exposed and their implications for the form and content of Smith's argument are investigated. It is concluded that the chapter on bounties should not be regarded as a crude polemic or as an illustration of Smith's skills or failings in the realm of applied economic analysis. Rather, it is an exercise in advocacy following conventions outlined in the LRBL.

Michal Kowalik, "J.S. Mill's Premature Rejection of the Labour Theory of Value from Political Economy".

J.S. Mill led the classical labour theory of value (LTV) up a blind alley. He rejected the LTV for the reason that it gave two different rates of profit when the same quantity of labour was used. He was mistaken in his view and made not only mistakes in his calculation but also an illegitimate shift in his research programme to prove his case.

Mill abandoned the LTV for a relative exchange value theory following his mistake. The real faults in the LTV were not exposed by Mill's criticism and the LTV not having been properly slain continues to linger. The paper does not address defects in the labour theory of value, only the defects in Mill's treatment of it and his premature rejection of it.

Barry Worrell, "Alfred Marshall and General Equilibrium".

Abstract not available.

Neil Hart, "Increasing Returns and Marshall's Theory of Value".

Marshall's attempts to construct a theory of value based on 'normal' supply and demand conditions was frustrated because of the dilemma Marshall saw as arising from the potential for monopolisation of industries where the pervasive forces of increasing returns operated. Despite the opposing views expressed by writers such as Stigler and A.L. Levine, there can be little doubt that Marshall placed the major burden of his proposed 'solution' to the reconciliation problem on his 'biological' analogy of the natural life cycle of the firm. Some writers have interpreted Marshall's 'hints' relating to the growing significance of external economies as suggesting an alternative 'solution' to Marshall's dilemma, however it can not be convincingly argued that Marshall himself held closely or consistently to the view. Market 'imperfections' appeared to be attracting increasing interest from Marshall, who was also aware of, but unable to satisfactorily consider, the 'dynamic' implications arising from the widespread existence of returns to scale.

Michael White, "Cuckoo or Bowerbird? Jevons, Physics and the Marginalist Revolution".

Philip Mirowski has argued recently that the appearance of marginalist economic theory can be explained by the economists borrowing their analytical framework from that of the new physics which was only produced by the mid-nineteenth century. This paper examines the evidence Mirowski provides for the case of W.S. Jevons' *Theory of Political Economy* (1871), to support his general argument. The principal purpose of the paper is to explain how Jevons used a metaphor, from statical mechanics, as a rhetorical device to cover his inability to explain price formation by reference to the 'laws of supply and demand'. The metaphor explains the peculiar form of the exchange equations in the *Theory*. It is concluded that the case of Jevons indicates the early marginalists were more eclectic in their discursive borrowings than Mirowski has suggested.

Grant Fleming, "The Role of Economists in New Zealand Policy-making 1912-1945: Professional Stratagems or Political Puppets?"

The use and acceptance of economists as specialists in an area of scientific study provides the focus of this paper. From 1912 the New Zealand Government elicited the services of 'political economists' with respect to economic policy-making and discussion. The Royal Commission on the Cost of Living (1912)

was the first instance, while the National Industrial Conference 1928 and the Economists' Committee 1932 are the most popularly acclaimed.

A sociology of professions approach towards the increased profile of economists in government is attempted (à la A.W. Coats). Of particular importance is the 'professional' self-awareness of economists and the attitude of Government Ministers and pressure groups towards economists involved in economic policy discussions. Conceptually three definitions of the 'professional economists' and their 'role' in economic policy-making could have existed. Exploration of these definitions leads to the tentative conclusion that in many instances economists were used for political rather than economic purposes.

John King and M.C. Howard, "Marxian Economics and the Great Depression".

Contemporary Marxian interpretations of the Great Depression differed greatly, both on its significance for the future of capitalism and on its causes. This paper outlines the views of Communists (Dobb, Varga), Neo-Communists (Corey, Strachey, Sweezy), Social Democrats (Bauer, Hilferding, Kautsky, Moszkowska, Naphzati) and independent Marxists (Grossmann, Pollock, Sternberg). It includes discussion of theories of long waves, stagnation, state monopoly capitalism, and fascism. Falling-rate-of-profit, 'over-accumulation', disproportionality and underconsumption explanations of the crisis are presented, together with attempts to synthesise two or more of these.

Peter Kriesler, "Kalecki and Keynes on Method".

Keynes, as editor of the *Economic Journal*, made some extremely strong disparaging comments on articles submitted to that journal by Kalecki. This paper examines the nature of these comments and attempts to locate them in methodological differences between the two, as well as attempting to identify these differences. The failure of Kalecki and Keynes to communicate with each other originates from their different approaches to economic theory, which is traced to their backgrounds, the one in Marshallian economics and the other as a Marxist. These differences manifested themselves in the different roles each attributed to theory, to those aspects of the economy which each took for granted, as well as to questions relating to the correct method for economic theory.

Bruce McFarlane, "More Notes on the Evolution of Michal Kalecki's Theories of Dynamics".

The paper applies a number of rules for constructing a biography of a noted economist suggested by William Jaffé who worked on Walras' contribution.

In particular, the evolution of Kalecki's theoretical constructs on trend and cycle, unemployment, planning and economic growth in socialist economies are considered in relation to (a) the influence of his reading in the early years; (b) the influence, limited as it turns out, of a small group of colleagues; (c) what was happening around him.

The aim is to find out why Kalecki found problems worthy of the effort to find solutions.

Among the issues canvassed are the reasons for Kalecki's immunity to the neo-classical paradigm; his originality; and his personal contact with Joan Robinson, Dobb, Marshak and Worswick.

Michael Williams, "From Hegel to Marx and Back: Some Implications for the Method of Critical Political Economy".

Orthodox economics has exhaustively analysed capitalist economies from the perspective of its own methods, but it has become increasingly apologetic, and methodologically insecure. Though in practice it appears much like Feyerabend's "anything goes", the professed methodology of economics (which is deployed to dogmatically exclude non-standard approaches [Caldwell 1982:127-8]) is located within the post-Humean tradition of empiricism, being based on the philosophies of logical positivism (Kreis) and critical rationalism (Popper/Hempel). It thus relies on "workable solutions" to the Humean problems which for the purposes of this paper may be lumped together under the heading of "positivism". The notion that positivism is both honoured more in the breach, and in principle inapplicable in economics is familiar to methodologists of economics, and to those economists who are even dimly aware of the elementary foundations of their research (see, e.g. Blaug 1980:259; Canterbury and Burkhardt 1983:22, 31; Leontief 1982:viii,xi; Katouzian 1980:90; Caldwell 1982:127-8). Most research is not empirically orientated; of that which is, a large part is directed at "fitting" rather than "testing"; and of that which is directed at testing, only a negligible part is concerned to "falsify".

Contemporary Marxism has lost its way. In its attempts to live up to the methodological aspirations of orthodox economics it has lost its critical edge.

Nevertheless, Hegel was an early critic of empiricism, whilst Marx is the only major economist whose method consciously incorporates this critique. The re-examination of the relation of Marx to Hegel indicates an alternative basis for systematic construction of knowledge of the social - one which relies neither on regressive reference to external criteria (such as unmediated experience) nor on the circularity of a closed model to establish its truth. It transcends the dilemma of epistemology (see e.g. Norman 1976:12; Callinicos 1983:156), and also the problem of realism, in the recognition that reality is the active unity of being and consciousness (of Marx's "praxis"), which thus cannot conceivably be different from our (social, inter-subjective) conception of it (Reuten & Williams, 1989:Part I, Section 2). This is not idealist, in either the Kantian sense of the postulation of an autonomous thing-in-itself, or in the Hegelian (*Philosophy of History*) sense that reality is the working-out of the self-developing Idea in History. Nor is it historicist (Popper) in the sense of social or natural tendencies working themselves out autonomously in history. It is rather a transcendental idealism, for which reality is neither created by, nor fixed independently of consciousness. Perception is then the experience of particular things as the bearers of universal properties. Whilst it rejects Hegel's empirical/ontological idealism which tends to reduce being to consciousness, it does not do so in favour of a materialist dialectic which would reduce consciousness to being. Rather, for it, political economy, unlike philosophy, cannot reach further than comprehension of actuality (the unity of being and consciousness)—actuality in—but not for—itsself (Hegel 1817:§163; 1833:55). The opposition between subject and object cannot, as in Hegel's *Logic*, vanish, but rather—since thought does not here have (only) itself for its object—the critical political economists must continually struggle to assert their unity in the face of their apparent opposition. We are concerned to show how critical political economy can anchor itself firmly in a coherent metaphysic—that of Western thought itself, going back Aristotle - by developing its starting point from the categories of Hegel's *Logic*.

The dialectical concepts "necessity/contingency" and "levels of abstraction" provide an important basis for identifying a qualitative order of conceptual significance, beyond the quantitative differences established by econometrics. Indeed, the more concrete the level of the presentation, the increasing likelihood that proximate determination will rely on "mere" contingencies. Since its domain is the empirical, it is unlikely that econometrics alone will reveal much of the necessary nature of the theoretical object—be that the existing socio-economic system, or only some part of it. A precondition of valid quantitative analysis is the grasping of the empirical as "concrete", which is the task of systematic presentation. On the other hand, actuality is typically under-determined, not only by experience (see above), but also by its "necessary conditions of existence". Thus the comprehension of contradiction is the very stuff of critical political

economy, which therefore cannot dispense with empirical study of its shifting forms of existence.

This paper arises from the joint work of myself and Dr Geert Reuten of Amsterdam University, which is to be published in Reuten, G. and Williams, M., *Value-form and the State* ..., London, Routledge.

This book contains an extensive bibliography. Full references for works mentioned in this abstract will be listed in the full paper.

Peter Groenewegen, "Marshall and Hegel - an Intriguing Partnership".

In the prefaces to his *Principles*, Marshall handsomely acknowledged Hegel's influence on his economic thinking on "the notion of continuity with regard to development" via Hegel's *Philosophy of History*. This was a book which the young (and apparently the old) Marshall greatly admired and used extensively in the lectures on economics he gave in the early 1870s. This paper examines a number of aspects of Marshall's association with Hegel's work. Part I examines the likely manner by which Marshall became acquainted with Hegel's work and the particular form that acquaintance took. Part II discusses the influence of Hegel's *Philosophy of History* on the young Marshall, as revealed in unpublished manuscripts now held by the Marshall Library. Part III examines the Hegelian pedigrees of Marshall's mottoes on the title pages of his major books, that is, "*Natura non facit saltum*" and "The Many in the One, the One in the Many". A final section looks at further implications of Marshall's association of Hegel's views on development with his own ambiguous discussion of continuity.

Alex Millmow, "The Evolution of J.M. Keynes' Wage and Employment Theory 1920-1946".

This paper traces out an historically-based survey of the development of Keynes's wage and employment theory. - While the title includes employment theory, the paper devotes particular attention to Keynes's wage theory. The development of Keynes's wage theory has been given only the most sparing attention in the literature. This glaring omission has usually been attributed to the dearth of material in Keynes's literary works to warrant a major study. Underpinning this, has been the popularly-held view that Keynes said relatively little about wages. This paper attempts to repudiate this interpretation and, in doing so, redress this long standing neglect by providing an exegetical account and analysis of Keynes's wage theory.

Rod O'Donnell, "Keynes's Political Philosophy".

Keynes's political philosophy has remained something of a puzzle. Appearing to have no defined outline or principles, it has resisted Keynes scholars and has not been scrutinised anywhere nearly as closely as his economics. In the belief that resolution is possible, this paper argues that a specific set of principles does underlie Keynes's political philosophy, and that the key to their understanding is his philosophy of practical reason. It is philosophy, in other words, which is the antechamber to his politics, not economics. This approach enables the nature of his liberalism to be clarified, and illuminates the sense in which Keynes belongs to the socialist tradition. The issues raised are relevant to current debates within the political left and centre.

Colin Rogers, "Monetary Equilibrium and the Principle of Effective Demand: from the *Treatise* to the *General Theory*".

This paper traces the integration of value and monetary theory between the *Treatise* and the *General Theory*. It is argued that the Cambridge critique offers a logically sound analytical basis for Keynes' critique of the "classical" theory of the rate of interest. The implications of this critique were not understood by the early Keynesians who conceded only that the "classical" theory was incomplete—not that it was logically flawed as Keynes claimed. But the collapse of "classical" capital theory takes the "classical" theory of the rate of interest with it and allows for the treatment of the nominal rate of interest as a key independent variable as Keynes suggested. The treatment of the nominal rate of interest as an independent variable is central to the principle of effective demand. The average level of the nominal rate of interest may then set a limit to the profitable expansion of output before full employment is achieved. Multiple long-period equilibria exist in Keynes' scheme and unemployment may co-exist with equilibrium—Say's Law is broken.

Ted Winslow, "Organic Interdependence, Uncertainty and Economic Analysis".

The paper examines the effect of Keynes's organic view of interdependence on his treatment of induction, probability and expectations. It argues that, while organic interdependence is compatible with rational induction and prediction in some circumstances (as it must be if there is to be a foundation for economic analysis), it is not normally compatible with the existence of a rational

foundation for expectations of future return from capital assets. This is not destructive of economic analysis, however, because Keynes assumes most agents respond irrationally and conventionally, rather than rationally and capriciously, to genuine uncertainty.

David Hughes, "T.E. Cliffe Leslie and Economic Method".

Leslie was the chief critic of orthodox economic method and advocate of historical economics in Britain in the 1860s, 70s and 80s. His critique of classical doctrine attracted considerable attention from his contemporaries and its worth reviving as a significant chapter in the history of economic thought.

Conventional opinion of Leslie is that his contribution to economics was purely as a critic and that he offered no constructive alternative to orthodoxy, an allegation often directed at historical economics in general. A closer reading reveals a definite and workable economic method, which he practised in his own work. There are two strands to this method, the first being the inductive method which is usually synonymous with historical economics. The second strand is literary method. This literariness makes sense of Leslie's own brand of inductivism and of his specific objections to orthodox economics. Its essence is practical understanding and explanation through a story well told.

This paper examines Leslie's critique of the dominant abstract and deductive tradition in English political economy and presents a statement of his own conception of historical economics. Both the critical and constructive sides of Leslie's work, it is argued, have become more relevant with the increasing academic professionalisation and technical formalisation of economics.

John Lodewijks, "Macroeconometric Models and the Methodology of Macroeconomics".

This is a study in contemporary history of economic thought. The history and methodology of macroeconometric models and the rise of the macro-modelling movement is examined. We find three stages in the evolution of American macroeconometric models. The origins in the Cowles Commission research, the commercialisation of the models and the empirical research priorities of the modellers, and finally, the current state of debate over the theoretical and statistical underpinnings of the models.

Garry Barrett, "Equilibrium Business Cycle Theory: a Case Study of Agenda-Setting in Macroeconomics".

This paper examines the factors underlying the formation and subsequent ascendancy of New Classical Macroeconomics (NCM). In contrast to recent studies of NCM, which take an internalist approach appropriated from the philosophy of science, this paper fleshes out the framework of "agenda-setting" adopted from the political sciences. As this framework incorporates both internalist and externalist insights it provides a more rounded picture of the rise of the NCM movement.

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