





# Paper Abstracts

## ■ Petty-Cantillon-Quesnay: The Formation of the Surplus Approach

*Tony Aspromourgos, University of Sydney*

This paper examines the formation of the approach to economics associated with the core notion of "production, distribution and allocation of economic surplus". It traces the dominant line of formative intellectual development around this notion, from Petty to Cantillon to Quesnay. In this draft the emphasis is upon the links between Petty and Cantillon, rather than the somewhat better understood connections between Cantillon and Quesnay.

## ■ Kalecki and the IS/LM Interpretation of the *General Theory*

*Simon Chapple, Victoria University of Wellington*

Don Patinkin (1982) argues that Michael Kalecki did not discover the central message of Keynes' *General Theory*, the theory of effective demand, which is incorporated in the IS curve of the famous IS/LM model. Further, Patinkin argues also that, in his pre-1963 work, Kalecki did not integrate his treatment of the goods market with the money market and the marginalist theory of value, i.e. he did not provide a macroeconomic theory in an IS/LM/AS framework. This paper shows that Patinkin is incorrect. A recently translated 1934 paper of Kalecki's integrates his theory of effective demand with a theory of money demand, relating this back to profit maximisation and diminishing returns on the supply side, as well as including a simple hysteresis wage equation. This paper traces the intellectual roots of Kalecki's 1934 work and provides a formalisation of Kalecki's model. Interestingly enough, the paper shows that, in many ways, Kalecki's 1934 model is probably closer to the IS/LM interpretations of Keynes, that emerged in the neoclassical synthesis, than in the *General Theory* itself.

## ■ The Gold Standard on the Booze: Roosevelt and his Professors, 1933-34.

*William Coleman, University of Tasmania*

The foundations of Roosevelt's gold policy of 1933 are excavated. Beneath the doctrines of Warren and Pearson are found the remnants of Irving Fisher's Commodity Standard. Beneath that, the imprint of Classical bullionism is plain.

**23** **A Note on Usury, Theology and Sir Thomas Culpeper, the Elder**  
*Malcolm Cook, University of New England*

Although Culpeper is in most respects a minor figure in the history of economics, Eli Hecksher argues that Culpeper's work represents an important milestone in economic methodology. We examine this view and find that Culpeper cannot be considered a precursor of positive economic methodology.

**24** **John Maynard Keynes and the Age of Eugenics**  
*Geoff Fishburn, University of New South Wales*

One aspect of Keynes' thought which has received little attention is that of his belief in the Doctrine of Eugenics, as it was referred to by him and his fellow eugenicists.

This paper attempts to trace his career as an eugenicist from his earliest interests in heredity (whilst still at school) to shortly before his death when he declared eugenics to be no less than "the most important, significant and ... genuine branch of sociology". Keynes' views were no secret: he was recognised (at least during his own lifetime, which roughly corresponds with that of the eugenics movement as a whole) as a prominent eugenicist, and honoured as such.

Keynes was, like many other eugenicists of his time, also active in the (British) Birth Control Movement, and this paper traces his activities here as well as in the eugenics movement.

Whilst little evidence exists that his eugenical beliefs were carried directly or indirectly into his purely "economic" writings, consideration of these beliefs and activities by Keynes allow us to see him more clearly as much of a product, as a creator, of the age in which he lived.

**25** **A Weird and Wonderful Partnership: Mary Paley Marshall and Alfred Marshall 1877-1924.**  
*Peter Groenewegen, University of Sydney*

This paper examines the tensions which marred the relationship over so many years of the Marshall's marriage and the lack of genuine collaboration between these two economists.

**26** **A Critique of Baumol's 1977 Discussion of Say's Law**  
*Steven Kates, La Trobe University*

William Baumol first became involved with Say's Law in 1952 when he and Gary Becker published an article summing up a debate which had followed the publication of Lange's classic article (1944). In 1977 Baumol returned to the issue of Say's law, with a paper on "Say's (at least) Eight Laws, or what Say and James Mill

May Really Have Meant". While Baumol intended to provide further understanding of the issues underlying the topic Baumol felt had been overlooked in earlier interpretations, there is more to Say's Law than is incorporated in the eight propositions Baumol specified.

Using quotations from Say and James Mill, drawn in the main from the quotations which Baumol provided, it is possible to reconstruct the arguments behind Say's Law. It will be shown that Baumol has failed to understand properly the meaning of Say's Law and that the Law represented a more sophisticated approach to economic issues than Baumol has given it credit for.

### **P.W. Martin and the Flaw in the Price System**

*John King, La Trobe University*

The English economic heretic, Percival William Martin (1893-1972) was an international civil servant with the ILO in Geneva. Between the wars he published several books and a number of articles on crisis theory, economic planning and international monetary reform. Starting out as a monetary crank, Martin developed an original and quite remarkable diagrammatic representation of the circular flow of income, and came to anticipate 'Keynesian' income-expenditure analysis. Both theoretically and in policy terms, Martin can be regarded as a sort of premature post-Keynesian.

### **From Disequilibrium to the Traverse in Economic Theory**

*Peter Kriesler, University of New South Wales*

This paper considers the nature of equilibrium analysis, concentrating on the comparative static method. In particular, it is argued that for that method to be valid, certain assumptions have to be made about the system's underlying dynamics when out of equilibrium. The use of this approach in classical and neoclassical theory is examined, before discussing the role of path determinacy (in the form of hysteresis) and the traverse. The traverse is defined as the path the economy takes when it is disturbed from equilibrium. It is argued that the traverse has been much neglected in economic analysis, despite its importance for describing what happens out of equilibrium.

### **J.S. Mill, Romanticism, and Social Reform**

*Oscar Kurer, Queensland University of Technology*

It is argued that Romanticism had a significant influence on Mill's thinking on social reform. In particular, it shaped his view of the good life which underlies much of his writings, his anti-materialism and elitism. It influenced specific policies, especially education, inheritance, nature preservation and it affected his attitude to socialism.

**■ Sidney Weintraub and the 'Noxious Influence of Authority'**

*John Lodewijks, University of New South Wales*

A previous paper (*HETSA Bulletin*, Winter 1990) examined the interaction between Sidney Weintraub and English Post-Keynesian economists. This paper extends that analysis by examining the reactions of U.S. mainstream economists to Weintraub's work. The paper draws on previously unpublished correspondence from the Weintraub Papers.

**■ Positivism and Instrumentalism before Friedman: Instrumentalism in Hutchison's *The Significance and Basic Postulates of Economic Theory***

*Gillis MacLean, University of Auckland, New Zealand*

The problem-situation addressed is the supposed antimony between instrumentalism and positivism in economics which grew out of the debate over Friedman's 'The Methodology of Positive Economics' (1953). I note that, for Popper, positivism and instrumentalism, rather than being incompatible were equivalent; and I outline Popper's characterisation of positivism-instrumentalism. I show that Hutchison's logical positivist methodology in his *The Significance and Basic Postulates of Economic Theory* (1938) is thus also instrumentalist on Popper's definition. I note that the Ramsay-Schlick view of theory is a useful reference for classifying Hutchison's (1938) methodology. This characterisation of Hutchison (1938) as instrumentalist opens up new connections for understanding the history of economic thought.

**■ Entropy - The Origin and Development of the Concept in Natural Science and its Potential Use in Economic Analysis**

*Richard C. Nolan, University of New South Wales*

The paper makes the contention that Georgescu-Roegen has used the concept of entropy as a means of trying to define the natural conditions within which economic activity takes place and has identified some of the consequences for nature of the workings of the 'economic system'. However, the real potential of the concept has yet to be realised. The paper thus provides some indications of how economic analysis might be advanced by the use of this concept.

It should be stressed that, even in natural science, the concept is not uniformly well understood but of great importance is the realisation that the 'Maximum Entropy' principle leads always to equilibria in which there are distributions of intensity of attributes, not single values, eg., multiple interest rates, multiple profit rates, etc.

### ■ The Women's Question and the Relativism of Poulain De La Barre and Montesquieu

*Chris Nyland, University of Wollongong*

Poulain de la Barre provided a highly original attempt to develop a rational analysis of women's social position. Montesquieu's ideas regarding climate and women's intelligence have not stood the test of time and empirical research.

### ■ The Unwritten Books and Papers of J.M. Keynes

*Rod O'Donnell, Macquarie University*

From 1909 to about 1938, Keynes drafted outlines of a number of books and papers that were never written. The discovery of these previously unknown items is significant, for many of the ten books and eight papers in question are highly illuminating as regards the development and interpretation of his thought. They cast valuable light on his economics (including the lead-up to, and elaboration of, the *General Theory*), his politics (including his liberal socialism), and the conceptual foundations of his thought (including Moore's philosophical influence). Had these works been completed, our understanding of Keynes' thought would have been enormously enriched, but even in their rudimentary form they represent a valuable new source of knowledge.

### ■ Major Douglas and the Banks

*John Pullen & G.O. Smith, University of New England*

This paper outlines the main features of the Douglas Social Credit Scheme, viz, the A + B theorem, purchasing-power deficiency, credit creation and the power of the banks, the conspiracy theory, the National Dividend, the Rebate, and the socialisation of credit. It briefly discusses a sample of the Australian responses to Douglas, before and after his visit to Australia in 1934. The responses considered include some from academics (e.g. Professors Copland and Irvine), some government reports, and some at a more popular level. The paper concludes with a discussion of the relevance of Douglas' thought to current monetary problems. It argues that although certain elements of Douglas' thought - notably, the A + B theorem - can be readily discarded, there are other elements - in particular the question of the social ownership and control of credit - which are still worth considering. However, it is debatable whether, in the absence of the former, the latter can properly be described as "Douglas Social Credit".

## **Two Enigmas In Kalecki's Methodology**

*Jan Toporowski, Southbank Polytechnic, London*

Kalecki's writings reveal a unique style of analysis and exposition of ideas. His theoretical essays are contributions to theory with very little explicit reference to the theoretical debates of his time and to the tradition of economic thought which they sought to continue. At the same time, at critical points in his analysis, Kalecki's argument is moved by explicitly empirical, rather than theoretical considerations. An examination of his way of working suggests an intuitive-deductive way of drawing conclusions from his ideas. However, when this style of work is viewed in combination with its empirical content, and the chronological schedule of his contributions to economic theory, it becomes clear that Kalecki's analysis is essentially an empirical-deductive one. This explains the absence of any explicit theoretical nexus, and the importance of empirical considerations in his theoretical discourse.

## **IS-LM: An Inquest**

*Warren Young, Deakin University*

In this paper we present for the first time a comparative perspective on the formal and substantive structures of the early mathematical and graphical representations of Keynes' *General Theory*. The approach taken is to classify and analyse these representations by "variables", "sectors" and "markets" in order to establish what was common to them and what, in fact, differentiated them. The representations classified and analysed are those of Harrod, Meade and Hicks; Reddaway, Lange, Timlin and Champernowne; Kahn, Modigliani, Samuelson and Hansen; Palander, Lindahl, Scott and Smith; J.M. Clark, Slichter, Robinson, Kaldor, Lerner and Kalecki; Robertson, Machlup, Metzler, Chipman and Tobin; among others.



# History of Economic Thought Society of Australia

## Business Meeting - Sixth Conference

Wednesday, 3rd July 1991.

15 members were present - Associate Professor John Pullen was in the Chair; Peter Groenewegen acted as minute secretary. The meeting commenced at 4.30 p.m.

1. Minutes of the July 1989 meeting at Canberra were confirmed.
2. The chairman reported that a Prize for an Essay had been established as instructed by the 1989 meeting, and that the first prize would be awarded at the 1991 Conference Dinner, as indicated under Item 4 of the Agenda.

In the context of confirmation of the conditions for award of the prize, it was decided to amend condition 2 by adding "at an Australian or New Zealand Tertiary institution".

The conditions for the HETSA Prize as amended were then accepted unanimously.

### 3. Election of Office Bearers

(a) **Secretary/Treasurer.** The meeting accepted Professor Ray Petridis' temporary resignation from his position as Secretary/Treasurer because of a year's leave from his university, and agreed with the suggestion that Dr. Ian Kerr should take his place for the period in question. The meeting took the opportunity to thank Professor Petridis for his long and faithful work on behalf of the Society in his capacity as Secretary/Treasurer and wished him a speedy recovery from the illness which prevented him being present at the Monash Conference.

Given problems of decision-making in the Society between conferences, it was proposed and unanimously agreed to convert the title Secretary/Treasurer to Chief Executive Officer, to appoint Professor Ray Petridis to this position and to appoint Dr. Ian Kerr, Acting Chief Executive Officer for the twelve months ending July 1992, with the requirement to consult as previously with members of the Editorial Board of the Bulletin if necessary.

(b) **HETSA Bulletin Editor.** Professor Pullen indicated his desire to resign from editorship, a resignation which the meeting accepted with regret. It then expressed

its gratitude for the work John Pullen had done in editing the Bulletin by acclamation. Dr. John Lodewijks was elected to take John Pullen's place as Editor.

4. The decision of the Adjudicating Panel to award the HETSA Prize to Neil Hart was confirmed.

The Executive Officer would be asked to report on the feasibility of HETSA publication of the Prize Essay at the next meeting.

5. **HETSA Conference for 1993.** An offer by Wollongong University to host the conference (Convenor, Chris Nyland) was gratefully accepted. In view of Queensland's offer to host the conference, it was decided to ask them to bid for the 1995 Conference and to secure acceptance of this offer. The meeting indicated it would be useful to have the Queensland person wishing to act as Convenor present at the 1993 Conference. Murdoch's offer had to be declined because of the difficulty in getting good attendance there given travelling costs to Perth. This was confirmed by a straw vote of those present.

In this context, the meeting took the opportunity to thank Michael White for his splendid organisation of the Sixth conference which all present were enjoying immensely.

6. **Financial Statement.** This was tabled and confirmed by the meeting.

7. **HETSA Bulletin.** John Pullen suggested a name change to *History of Economics Review*. Although this name struck a receptive chord in the meeting it was decided to test new names by an appeal to the membership which its new Editor would initiate.

The meeting closed at 5.35 p.m., there being no other business.

*History of Economic Thought Society of Australia*

# **THE HETSA PRIZE**

## **1991**

The judges of the HETSA Prize Committee are agreed that the 1991 Prize should be awarded to:

**MR NEIL HART**

for his thesis entitled:

**"Economic Theory and Returns to Scale: A Study of Controversies in Marshallian Economics"**

which was submitted in May 1989 in partial fulfilment of the requirements for the degree of Master of Economics in the University of Sydney.

### **The Judge's Opinion**

Neil Hart has written a thesis that is full of insights into the deepest recesses of an important and yet not widely understood episode in the history of economic thought. The thesis is well researched, cogently argued and its presentation reflects a high standard of scholarship.

Neil Hart's thesis especially impresses with its strongly thematic treatment of what is a complex and many faceted controversy. His coverage of the literature is definitive, with each contribution being woven into a tightly reasoned exposition. The result is a well integrated but evolving argument that informs its readers and reaches decisive conclusions.

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