

Centre For the Study of the History of Economic Thought Within the Department of Economics, University of Sydney

The Centre was established in 1989 as a self financing unit in the University of Sydney for the purpose of advancing teaching and research in the History of Economic Thought within and without the University. It does so by organising workshops, public lectures, the proceedings of which are published, and by issuing reprints of economic classics, continuing the second series begun in 1980 in the Department by Peter Groenewegen with some financial assistance from the New South Wales Branch of the Economic Society. Director of the Centre is Peter Groenewegen, the Centre's Executive Committee comprises Tony Aspromourgos and Flora Gill, while its Council includes those involved in teaching History of Economics at the University of Sydney and elsewhere in Australia (the last at present represented by Professor Barry Gordon from Newcastle, Professor John Pullen from Armidale and Mr. Michael White from Monash).

Past Activities have included workshops, a public lecture and the publication of new reprints. A resumé of these is as follows:

Workshops

February 1990: *Origins of Laissez Faire in Retrospect and Prospect**

November 1990: *Liberty and Laissez Faire**

June 1991: *Is there, and should there be, an Australian Economics?*

November 1991: *The Banking Currency School Debate Revisited: An Old Controversy with Modern Implications**

* The proceedings of these workshops are currently being edited for publication in 1992.

Other Publications

1. [William Pulteney], *Some Thoughts on the Interest of Money in General*, (1738), edited with an introduction by P.D. Groenewegen, Sydney, 1982, pp. xxiv + 49. Price \$A 6.00.

2. François Quesnay, *Farmers* (1756) and Turgot: *Sur la Grande et la petite Culture* (1766), translated with an introduction by P.D. Groenewegen, Sydney, 1983, pp. xxv + 33. Price \$A 7.50.

3. Robert Torrens, *The Economists Refuted (1808) and other Early Economic Writings*, edited with an introduction by P.D. Groenewegen, Sydney, 1984, pp. xxi + 79. Price \$A 8.00*
4. Pietro Verri, *Reflections on Political Economy, (1771)*, translated into English by Barbara McGilvray and edited with an introduction by Peter Groenewegen, Sydney, 1986, pp. xxiii + 117. Price \$A 10.00 (out of print)*
5. Alfred Marshall on the *Method and History of Economics* (Circa 1871), edited with an introduction by P.D. Groenewegen, Sydney, 1990, pp. xxii + 21. Price \$A 7.00.
6. In Preparation - *Turgot (1765-1778), Extracts from his Economic Correspondence with Du Pont De Nemours, David Hume, Josiah Tucker, Condorcet, Morellet and others.*

* To be published in new editions by Kelley, New York in 1992.

A Reprint Series of Australian Economic Classics is also planned to publish its first item in 1992.

Public Lecture (May 1990): to commemorate the Centenary of Publication of the *Principles of Economics* by Alfred Marshall, co-sponsored with the NSW Branch of the Economic Society of NSW: Peter Groenewegen: 'Alfred Marshall's *Principles of Economics*: A Centenary Perspective from the Antipodes' (forthcoming, *Australian Economic Papers*).

Forthcoming Events

The Centre is organising a conference on Victorian political economists and moral scientists and the women's issue (John Stuart Mill, William Stanley Jevons; Henry Sidgwick and Alfred Marshall) for Friday, 1st May, in the Geography Conference Room, Institute Building, University of Sydney. Speakers include - Barbara Cain (History, University of Sydney), Peter Groenewegen (Centre) and Michael White (Economics, Monash). This should prove a valuable occasion for those interested in women's studies, Victorian history and social reform, as well as in the history of Economics.

Membership of the Centre

The Centre provides for the following categories of Membership.

Teacher Member^a \$25 per annum
Student Member^b \$10 per annum
Assoc. Member^c \$15 per annum

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Members are entitled to notices of the Centre's activities, Centre publications and will have preferential access to limited Centre Functions such as Workshops.

- a) Those eligible for teaching membership are those persons involved in teaching history of economics at the tertiary level.
- b) Student members are those enrolled in a tertiary institution taking, or intending to take a history of economics course
- c) Associate membership available to all those interested in the history of economic thought.

A membership application form accompanies this issue of the History of Economics Review.

Publications for Sale

Apart from the published economic classics items listed previously, the Centre has limited stocks for sale of:

T.R. Malthus, *Five Papers on Political Economy*, edited with an introduction by Cyril Renwick, reprinted 1953 (\$5.00)

Italian Economics, Past and Present, edited P. Groenewegen and J. Halevi, Sydney: 1983 (pp. 224) \$10.00.

These can be obtained by writing to Professor P.D. Groenewegen, Director, Centre for the Study of the History of Economic Thought, Department of Economics, University of Sydney, Sydney, N.S.W., 2006, Australia.

All cheques should be made payable to University of Sydney - History of Economic Thought Publication Fund.

Is There, and Should There Be, an Australian Economics?

Report on a Round Table organised by the Centre for the Study of the History of Economics on Friday, 7 June 1991. Speakers to introduce the topic were Peter Groenewegen, Director of the Centre, and Bruce McFarlane, authors of A History of Australian Economic Thought published by Routledge in 1990.

The Director introduced the topic as follows. The Round Table was designed to address the issue of relevance of a national economics, with special reference to the more specific form of Australian economics. This issue has both historical and theoretical implications as well as policy and prescriptive consequences. The last have special relevance to a number of contemporary policy issues in Australia. They also inform the issue of the Americanisation of economics raised in a *History of Australian Economic Thought* and to be the subject of a HES symposium at its 1992 annual meeting organised by Professor Bob Coats.

The problem of identifying an Australian economics was also addressed in the *History of Australian Economics* (Groenewegen and McFarlane, 1990, Chapter 1, esp. pp. 6-7). This was essential for the purpose of defining the subject matter of the book, but also for addressing the problem of overseas influence and adaptation of overseas doctrine to meet Australian circumstances.

By way of further introduction, the Director wished to address three issues:

- (i) the significant recognition of national economics by past authors, and the characteristics by which it was defined.
- (ii) Some examples of Australian nineteenth century economics to illustrate these characteristics. Some 20th century examples were highlighted by Bruce McFarlane (as second opening speaker).
- (iii) Some contemporary examples of the importance of recognising the existence of national economics.

1. National Economics - Aspects of its Recognition

National economics, or national schools in economics, were widely recognised in the literature. Examples included the Austrian School, still in existence; the Swedish School, now gone but very important for the first four decades of the twentieth century; the Italian School of Finance (discussed in the influential paper by J.M. Buchanan (1960 ; 1983)) and perhaps most importantly, the German School,

identified as such by Friedrich List and with its own historian in W. Roscher (1874). The characteristics of these schools were not easy to define but invariably included:

- (a) nationality of the author;
- (b) residence of the author and/or place of publication of work (particularly important for a new country like Australia);
- (c) identification of national problems and national solutions.

Roscher (1874, pp. 647-8) pointed this out in the following passage:

political economy is national in character and has as its purpose the establishment of laws of national economic development, it must take account of the life of a nation which consists of its language, religion, art, science, law, state, and economy. Only in this way can one come to understand and analyse economic activities within the national organism. Both Fichte's *Closed Commercial State* and Mueller's *Elemente der Staatskunst* receive favourable mention in this regard.

Particular application in Germany of this principle was in the area of trade protection in the context of industrial development. In Australia, national economics manifested itself also in wage determination, protection policy (Syme, Wise, Brigden), aspects of economic development including immigration and the position of a small economy in a large world economy, government finance and, more generally, in the approach to public policy.

Constitution of such national economics was partly achieved by the adaptation of overseas findings to Australian conditions, thereby implicitly stressing the need to avoid blind adoption of such theories and their uncritical application to the Australian situation, one of the major dangers Groenewegen and McFarlane (1990, esp. pp. 233-5) see in the current Americanisation of economics.

As an item for discussion, the speaker suggested a circular feed-back mechanism was visible here.

Institutions - Problems - Nationality of Author - Ideas - Institutions

from which the importance of informed institutionalism could be deduced for satisfactory contemporary policy decision makers.

Such notions of national economics are often criticised. Professor Arndt in correspondence with the authors about their *History of Australian Economic Thought* raised the issue that national economics should not be tolerated, thinking of its totalitarian manifestations under Hitler and Stalin. Science was international, he argued. In his famous Appendix B on the growth of economic science, Marshall (1920, pp. 767-9) had already provided detailed critical evaluations of national systems of economics, especially the German one current in his day. Here he noted that German national economics emphasised that in between "the selfish individualism" of *Smithianism* and the "limp, philanthropic cosmopolitanism" of the Manchester Free Trade School (Cobden and Bright) lay the notion of nation which is not easily ignored in applicable economic discussion. It is, however, now largely neglected. The *New Palgrave*, for example, devoted only one article to National

Systems (Amin, 1987, Vol. 2, pp. 592-4), and national systems as analytical entities now only survive in the remnants of German economics, in institutional economics, and in the comparative study of national systems.

The Director at this point raised for discussion the question of how important such German criticism about the omission of 'National' from the agents in economic analysis actually is for contemporary economic debate?

2. Some 19th Century Australian Examples

Since these are dealt with at some length in Groenewegen and McFarlane (1990), the report on this part of the Director's introduction can be brief. His examples of Australian national economics in adapting 'foreign' theories to Australian conditions drew on Wentworth (pp. 13-15 and notes 1, 5-6); Lang and Australian versus British interests in migration (pp. 16-17); Syme and Musgrave on protection in a new country (pp. 31-33, 28-30 respectively) and last but not least, the experience surrounding the Australian Economic Association (1888-1898) and its regular publication the *Australian Economist* (chapter 4, esp. pp. 86-7) in which he highlighted De Lissa's employment and national income multiplier based on an Australian model of rural sector activity (pp. 72-6), to which Quesnay's *Tableau économique* was adapted.

3. Consequences for Contemporary Debate

Because Bruce Macfarlane was discussing Australian twentieth century examples, the Director confined his remarks under this heading to the importance of a national element in fiscal federalism theory. The existing conventional fiscal federalism theory largely described North American practice with many States and even more variety in local, regional and country units.

Australian practice does not fit this model, contravening it on a number of scores. One is the high degree of vertical fiscal imbalance in the Australian federation from the early 1940s on, negating the rule of matching taxation and expenditure at the margin for all units of government. The other is the high degree of fiscal capacity equalisation on principles developed by the Grants Commission (then including Giblin, see Groenewegen and McFarlane, 1990, p. 220) and originally designed to address special political economy problems of Australia's federation and its impact on half of the federal states. Yet Australia's peculiar national solutions to these problems, although conflicting with the dominant theory from North America, did not entail the drastic consequences that theory predicts, perhaps because with some adjustments that Australian experience can be accommodated within European federalism practice. More importantly, there is no solid empirical evidence that Australian practice contravening United States based federalism principles is actually 'inefficient'.

Bruce McFarlane's Contribution

Bruce McFarlane commenced his remarks by reiterating some important aspects of Australian economics the book had highlighted. The first was the mixture of sources from which Australian economics sprang and from which it continued to draw inspiration: academics, public servants, gifted amateurs and cranks had all assisted in the development of economic discussion (e.g. p.5). This is an important feature of the development of Australian economics and one which needs to be stressed. It justifies the extensive treatment of Irvine, who contributed in distinct ways in all three categories. The other feature was the impact a new land, much in need of development, made on many Australian writers. This is stressed in the case of the statisticians (e.g. p.192) but also in the context of many other contributions including that made by the famous Brigiden Report (pp. 119-23, 190-1).

He then looked at a number of specific features where the national aspects of Australian economics could be seen as important. First in his opinion was the stand taken by a number of Australian public servants/academics such as Coombs, Wilson, Crawford and Melville in international negotiations in the debates about post-war reconstruction (pp. 206-8, 217), in which then, as now in GATT negotiations, national considerations should be firmly taken into account. The same applied, in his view, to those who adopted a less servile stance to British bond holders while framing Australian depression policy (e.g. pp. 124-8, 149).

More important still were the statisticians, encompassing both the second half of the nineteenth century and the twentieth century. They adapted the principles of classical political economy to guide the data they were collecting about their new land (Archer and Hayten in Victoria, Johnston in Tasmania and above all Coghlan in New South Wales), the last of whom also developed a model of Australian economic growth. Their pioneering role in national income accounting well documented in the secondary literature, and building on the heroic estimates Wentworth prepared for Van Diemen's Land and New South Wales, were continued by Sutcliffe, Crawford, Wilson and foreshadowed those of Colin Clarke. In this context it was also interesting to note the impetus such research gave to discovery of the multiplier. De Lissa's efforts, mentioned by Groenewegen, had their inspiration in Coghlan's national income accounting; Giblin's famous work drew on national income data developed by Sutcliffe and others.

McFarlane also spent some time in defending the strength of Australian radical economics, particularly interesting when more broadly speaking, Australian political and social thinking after the first world war had shown little inclination in such radical directions. His remarks of Kelly on northern development, Jensen on sunspot influenced trade cycles (carrying on the tradition of Jevons-father and son- and Moore) and Grondona, whose plans for international cooperation in commodity price stabilisation won acclaim from Harrod, Kaldor and Jay (not the discoverer of the J-curve). This harked back to a radical tradition from the nineteenth century not only exemplified by Goodwin in Victoria, 'Cinderella' and Ogilvy but also by 'Governor' Musgrave, federal statist Knibbs and Professor Irvine. The positive feature of continuing criticism of doctrine in their work contrasted sharply with the often servile absorption of the latest American view and perspective in the current profession.

McFarlane also emphasised that some of the features he mentioned explained

the rapid absorption of Keynes's economics by the Australian universities and policy-makers. Economists attuned to national income estimates, multiplier analysis and government intervention for growth including acceptance of some planning found it easier to accept the new theory. This was shown particularly by Copland's conversion, Mills' acceptance and advocacy of Keynesian economics on the Banking Commission and Walker's major contributions (regrettably only covered in a footnote). What in a sense was more difficult to explain was the dismantling from the early 1950s onwards of the postwar reconstruction vision developed by Australia's 'seven dwarfs' in government service.

In conclusion he focused attention on the important aspects of that Australian economics which he now saw as being lost. This was the "willingness to use robust assumptions, assemble stylised facts for analysis and make rather audacious excursions into policy recommendations" which characterised the work of Coghlan, Giblin, Clark, Swan and Arndt. This underlay the conclusion of the *History of Australian Economic Thought* he had written with Groenewegen and whose concluding paragraph formed a fitting conclusion to what he wanted to say:

Following the decline of that spirit [in Australian economics] after the 1960s, it seems that recovery of the vigour in Australian economics exhibited in the past requires a quest to once again strike out as independently as possible. This in no way implies the desirability of an approach based on nationalism and parochialism. The whole argument of this book has been, rather, that there has always been a tension between those economists who mindlessly followed overseas trends and those who tried to use the insights of the discipline at the international level to solve the problems of Australia in a way that would assist the Australian people and not simply narrow commercial interests. For a distinctive Australian economics to survive, the vision of the second group needs to prevail. (Groenewegen and McFarlane, 1990, p. 138)

Discussion

The discussion that followed was vigorous. The international and universalist view of economic theory was defended by several of those present against the relevance of what was seen as the more narrow, national perspective. Some broad claims for the power of abstract theory were made in this context. Others raised the failure of Australian Marxist economics, and sought further explanations of aspects of the development of Australian economics which had been raised by the speakers. These included clarification of the rise and fall of Keynesian economics, the proclivities of Australian statisticians to national income accounting, aspects of the post-war reconstruction debate and, more generally, further clarification of the distinct contribution Australian economists had made in the nineteenth and twentieth centuries. These questions and the discussion in general indicated the need for further work on the desirability of clarifying the national element in political economy, and, in Australia, the need for greater awareness in the universities economics departments of Australia's past in economic thought. There is much work still to do, and the History of Economic Thought Society of Australia has a

useful role to play in disseminating to the wider audience it deserves the importance of Australian economics past and present .

Peter Groenewegen, University of Sydney

References

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