

SEVENTH HISTORY OF ECONOMIC THOUGHT SOCIETY OF AUSTRALIA CONFERENCE

13-15 July 1993

Held in the Northbeach Novotel, Wollongong, in conjunction with the Department of Economics of the University of Wollongong. Conference Organiser: Chris Nyland, with assistance from Robert Hood (University of Wollongong). Copies of the conference proceedings may be obtained by writing to: Chris Nyland, Department of Economics, University of Wollongong, Northfields Avenue, Wollongong NSW 2522.

CONFERENCE PROGRAMME

Day One (Tuesday, 13 July)

Registration From 9 am

Session 1 1.00 - 2.30 pm

METHODOLOGY

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|----------------|---|
| John Lodewijks | The Curious Case of Economic Anthropology |
| Gillis Maclean | Realism and Essentialism in the Methodology of J. N. Keynes |
| Richard Nolan | What is This Thing Called Entropy? |

Session 2 3.00 - 4.30 pm

PRE-19TH CENTURY ECONOMICS

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| Barry Gordon | Theological Positions and Economic Perspectives in Ancient Literature |
| Peter Groenewegen | The French Connection: Some Case Studies of French Influences on British Economics in the Eighteenth Century |
| Mathew Smith | The Monetary Thought of Thomas Tooke |

Session 3 5.00 - 6.30 pm

POST-GRADUATE SESSION

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|--------------|---|
| Gary Goddard | National Efficiency in Australia: Corporatism, Neomercantilism and Technology in Australian Economic Thought (c. 1900-1930) |
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Keith Rankin Three 19th Century New Zealand Contributions to Economic Thought

Sean Turnell Australia's Nutrition Approach to the International Economy in the 1930s

Cocktail Party 6.30 pm

Dinner 8.00 pm

Day Two (Wednesday, 14 July)

Session 4 9.00 - 10.30 am

CLASSICAL ECONOMICS

Geoffrey Fishburn Malthus, Darwin and the Emergence of a Pseudo-Paradigm

Hitoshi Hashimoto Microeconomics of Malthus

Bruce McFarlane & Peter Kriesler Maurice Dobb's Re-Interpretation of Ricardo: Critical Notes

Session 5 11.00 am - 12.30 pm

MARX AND MARSHALL

Phillip O'Hara Karl Marx's Theory of Productive-Unproductive Labour and the Reproduction of Capital

Barry Worrall Alfred Marshall's reading of *Das Kapital, Volume 1*: Some Observations on What He Saw and Failed to See

Neil Hart Marshall's Theory of Value: the Role of External Economies

Session 6 1.30 - 3.00 pm

LATE 19TH CENTURY ECONOMICS

Oskar Kurer An Institutional Approach to Mill's Recantation of the Wage Fund Doctrine

Michael White It is Right not to be Proper: Deciphering Jevon's "Noxious Influence of Authority"

Shigeki Tomo On the Development of Böhm-Bawerk's Interest Theory from Fisherian to Wicksellian

Session 7 3.30 - 5.00 pm

MICRO ECONOMICS

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| Tim Robinson | Some Minor Contributions to the Early Twentieth Century Literature of the Economics of Exhaustible Resources |
| Michael Schneider | The role of Hobson in the Emergence of the Marginal Productivity Theory of Distribution |
| Ray Petridis | Brassey's Law and the Economy of High Wages in 19th Century Economics |

Official Dinner

7.30 pm (Speaker: John McAuley - "Australia's Wealth")

1993 HETSA Prize Award:

The judges of the HETSA Prize Committee are agreed that the 1993 Prize should be awarded to:

Dharmika Dharmapala

for his thesis entitled:

Ricardo on the Relationship Between Pricing and Distribution

The Judge's Opinion:

"The prize winning fourth year honours thesis by D. Dharmapala (University of Western Australia) was a very strong thesis ... and showed considerable maturity. It was clearly a very distinguished piece of work".

The judges also noted that "The runner up in this strong field was the fourth year honours thesis on 'Taylorism, Management Theory and Demand Management' by Kyle Bruce (University of Wollongong). It has a clearly set out argument, was well written and kept to the point. A very fine piece of work."

Day Three (Thursday, 15 July)

HETSA Annual General Meeting

9.00 am

Session 8 10.30- 12 pm

MENGER, ROTHSCHILD AND STIGLER

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| Tony Endres | Carl Menger's Theory of Price Formation Reconsidered |
| John King | Kurt Rothschild and the Alternative Austrian Economics |
| Craig Freedman | The Economist as Mythmaker-Stigler's Kinky Transformation |

Session 9 1.30 - 3.00 pm

KEYNES, STEINDL AND DOWNIE

Rod O'Donnell	Keynes's Eton Essays and Cambridge Philosophical Papers
Harry Bloch	Steindl's Analysis of Firm Growth and the Tendency Toward Industry Concentration
John Nightingale	The Proper Role of Monopoly or Competition Policy: Jack Downie versus Orthodox Welfare Economics

Session 10 3.30 - 5.00 pm

POST-GRADUATE SESSION

Steve Keen	Harrod, Hicks, Dynamics and Lags: Blunting Harrod's "Knife-edge"
Dharmika Dharmapala	Econometric Methodology and the Philosophy of Science
Greg Moore	The First <i>Methodenstreit</i> , 1865-70: The Role of Cliffe Leslie

CONFERENCE ABSTRACTS

The Curious Case of Economic Anthropology
John Lodewijks

In this paper we focus on the interaction between economic anthropologists and development economists. We discuss aspects of the history of economic anthropology, in particular, the influence of institutional economists. The substantive-formalists debate and the role of Karl Polanyi is examined.

Realism and Essentialism in the Methodology of J. N. Keynes
Gillis Maclean

Although positivism and instrumentalism in recent economic methodology have become well known, realism has not been widely discussed. The methodology prevailing before the introduction of positivism-instrumentalism is shown to be realist, in both its view of science and fundamental economic concepts. The rejection of this realism entails a radical change in the way economists understand both economics and the world itself.

What is this 'thing' called ENTROPY?
Richard C. Nolan

The concept of entropy has been little used in economics but appears to have considerable potential. NICHOLAS GEORGESCU-ROEGUN has appealed to thermodynamic entropy, and the interpretation that the universe is running down as the ultimate basis for scarcity. However, he wants the entropy concept confined to its original thermodynamic basis. The concept has been considerably extended through the development of *statistical mechanics* and later through Shannon's *information theory*.

Jaynes has extended this further to a general theory of distributions and statistical inference. Combining this and three additional principles related to the maximum entropy provides us with, possibly, a new form of analysis in economics; one which does not presume that all instances of an attribute become equal at equilibrium. At equilibrium all rates of profit will not be equal, all rates of interest will not be equal and so on. They will be distributed in a way which maximises entropy subject to the constraints of the system.

The paper explains the development of the concept and points to its potential usefulness, equilibrium without neo-classical results.

Theological Positions and Economic Perspectives in Ancient Literature

Barry Gordon

It is the contention of this paper that it is difficult to offer a coherent analysis of the differing economic ideas of many of the ancient writers without recourse to consideration of their divergent understandings of certain basic theological issues. The paper is organised in terms of four questions. The questions are:

Why is it that two of the main contributors to the Pentateuch ('Torah') differ markedly in the extent to which they are concerned with the economic dimensions of the events they are recounting?

Why are there notable differences among Pagan, Jewish and Christian writers in their treatments of the nature and significance of work?

Why do post-exilic Jewish authors differ on the question of the characteristics of the economy to be looked for in a restored Israel?

Why is there a divergence of opinion among Church Fathers on the viability of communal ownership as a basis for the conduct of a Christian economic order?

The French Connection: Some Case Studies of French Influences on British Economics in the Eighteenth Century

Peter D. Groenewegen

During the eighteenth century, French economics dominated intellectual discourse on the subject over several decades. Key periods were the 1720s and 1730s, and again the 1750s and 1760s, the second period primarily but not exclusively associated with the work of the Physiocrats. This paper examines some case studies of French influence on British economics to illustrate this point. The first of these relates to Richard Cantillon, an author who built largely on English dominance in the subject over that period. The other case studies selected show more substantial French influence. These commence with an examination of Hume's economic essays of the 1750s, which benefitted considerably from French research in economics of the 1720s, 1730s and even 1740s. The other case studies concern Stewart's *Principles of Political Economy* and Smith's *Wealth of Nations*, the second of which was influenced to an inordinate extent by the Physiocrats on certain aspects. French economics, despite the brilliance of individual contributions in subsequent centuries, has never reached such general dominance as an influence in economics again.

The Monetary Thought of Thomas Tooke

Mathew Smith

The leading theorist of the Banking School and author of the monumental six volume *History of Prices* (1838-1856) and the brilliant pamphlet, *An Inquiry into the Currency Principle* (1844), Thomas Tooke (1774-1858) is one of the most prominent figures in nineteenth century monetary thought. This paper aims to expound the central features of Tooke's monetary analysis. From his early views on monetary questions it traces his thinking up to the formation of general principles on the relation between money, interest and prices which was the foundation of Banking School doctrine. The logical consistency of Tooke's monetary thought within the theoretical framework of classical economics is examined critically in counterpart to the classical's quantity theory. A brief conclusion is offered on the relevance of Tooke's ideas to contemporary monetary thought.

National Efficiency in Australia: Corporatism, Neomercantilism and Technocracy in Australian Economic Thought (CIRCA 1900-1930)

Garry K. Goddard

The importance of the 'national (or social) efficiency' movement from the perspective of the history of economic thought was its challenge to the legitimacy of the policy framework advanced by orthodox political economy during the early 20th century. In short, this entailed the rejection of atomistic competition, free trade and small non-interventionist government activity in favour of a more 'modern' (or interventionist) conception of the state and the economy. In Australia, the pursuit of the national efficiency programme reached its zenith during and immediately after the First World War.

The most salient manifestations of this alternative policy framework were in the areas of industrial relations (corporatism instead of laissez faire), trade policy (mercantilist style tariffs instead of free trade) and macroeconomic management (technocratic guidance of the economy rather than minimal state action).

This paper will outline, in some detail, the development of these three themes (corporatism, neomercantilism and technocracy) in the writings of the Australian advocates of national efficiency: Robert F. Irvine, Meredith Atkinson, George H. Knibbs, Clarence H. Northcott, W. Harrison Moore, R.J.A. Berry and W. Jethro Brown. By way of background to the analysis of the efficiency ethos in Australia the paper will also consider the origins of the national efficiency movement in Edwardian Britain, the transfer of the national efficiency ethos to Australia and its augmentation by Taylorist and progressivist initiatives from the United States. By way of conclusion some preliminary observations will be made on the importance of national efficiency in shaping the direction of economic policy in Australia during the trans-World War 1 period and in the 1920s.

Three Nineteenth Century New Zealand Contributions to Economic Thought

Keith Rankin

1. John Carruthers

Carruthers was a Scottish-born Engineer, appointed by Colonial Treasurer, Julius Vogel, in 1871 as chief engineer for the colony. Dubbed the 'Man who Built our Railways', Carruthers' alternative career as an economist commenced with two papers presented to the Wellington Philosophical Society - 'On Mill's Fourth Fundamental Theorem Respecting Capital' and 'On Some of the Terms used in Political Economy' - published in the *Transactions of the New Zealand Institute* in 1877 and 1878. After his return to Great Britain in 1879, he published a lengthy book and a number of articles - *Communal and Commercial Economy* - reviewed recently by Manchester's Professor Ian Steedman under the rubric 'John Carruthers: a Victorian Market Socialist'.

2. William Newsham Blair

Blair was Chief Engineer for the South Island, reporting to Carruthers in the 1870s. He strongly urged that scientific work in the fledgling nation should reflect the practical problems of the day, with a significant focus on an approach to political economy that reflected New Zealand's own circumstances. Most active in the 1880s, his most important publication is *The Industries of New Zealand* (1887).

3. Frederick Joseph Moss

Born in St. Helena, and well travelled in the South Pacific, Moss was MP for the Auckland constituency of Parnell from 1877 to 1890. A political loner, he became very active in the protection/free trade debates. He would have become a Cabinet Minister in New Zealand's radical Liberal/Labour government elected in 1890 had he not previously agreed to retire from Parliament to become 'British' resident in the Cook Islands. In 1879, while still serving in the Cook Islands, he published anonymously in London his major work on political economy: *Notes on Political Economy from a Colonial Point of View by a New Zealand Colonist*.

This paper introduces these early New Zealand writers on political economy, placing in context and summarising their contributions to economic thought.

Australia's Nutrition Approach to the International Economy in the 1930s

Sean Turnell

In 1935 the Australian delegation to the league of nations (principally the former Australian Prime Minister Stanley Melbourne Bruce and his 'economic adviser', Frank McDougall) proposed a program for

international economic and social reform which became known as the 'nutrition approach'. In utilising the newly emerging science of nutrition the Australians sought an end to the anomaly created by the Great Depression and the agrarian protection which accompanied it i.e. of the coexistence of over-production of food on the one hand, and the undernourishment of much of the world's population on the other. Emphasising the increased consumption of nutritious foodstuffs in advanced countries would provide room for the importation of food — increased food exports would provide agrarian producers with increased income with which to purchase manufactured goods. National health, world agriculture, trade and employment all stood to benefit.

In a League of Nations searching for legitimacy the nutrition approach was warmly received and the remaining pre-war years were occupied with a variety of international and domestic schemes designed to improve nutritional standards. The second world war did not extinguish the 'nutrition approach' nor the ardour of its adherents. Complimenting now Australian promotion of full employment policies internationally, the 'nutrition approach' finally manifested itself in the creation of the Food and Agriculture Organisation of the UN. This paper seeks to document the 'nutrition approach', examine its origins and the motives of these behind it and to assess its impact.

Malthus, Darwin and the Emergence of a Pseudo-Paradigm
Geoffrey Fishburn

Claims by writers such as Arrow, Tulloch and Hirschleifer of a crucial role played by Malthus's ideas in the development of Darwin's thought have been advanced without any supporting evidence or argument, but have nevertheless been used as an introduction to their own attempts to demonstrate the relevance of economic concepts and methods to biology, constituting an emerging pseudo-paradigm far removed from the 'economic biology' which Marshall had hoped would emerge as the 'Mecca of the economics'.

This paper assesses the Malthus-Darwin claim, and examines the nature and significance of this pseudo-paradigm. We find that the claim is problematic, and argue that the pseudo-paradigm, as a species of social science imperialism, should be treated with caution.

Microeconomics of Malthus
Itohi Hashimoto

As against Ricardo's theories of value (employed labour theory) of incomes (differential rent, subsistence wage, limiting principle of profit), Malthus developed different theories of value and incomes. He inherited Adam Smith's ideas of (a) the constant disutility of labour as the measure of value and the commanded labour theory, (b) demand and supply as the determinants of value. This paper aims at showing Malthus's ideas on value and incomes, making use of the Table illustrating the invariable value of labour shown at p. 38 of *The Measure of Value*, 1823. (where P = quantity of corn produced, w = corn wage, $w' =$ labour commanded by w , p' = average rate of profit, $r =$ rent).

The conclusion is as follows:

- (1) Market value (or demand-side value, w/w) determined by demand and supply determines natural value (or supply-side value) of P , that is, $P.w/w$. Market value and natural value will alternately appear.
 - (2) Malthus's regulating principle of profit is determined by market value of P minus w' , while his limiting principle of profit is determined by $P.w'/w - w'$, namely natural value of corn minus constant labour value of wage on the marginal unit of land, this resembles Ricardo's profit theory.
 - (3) Beside Ricardo's differential rent theory, Malthus has an idea of natural rent. Malthus's definition of r is, $p.w/w - w'(1 + p')$, which includes two sorts of rent simultaneously.
- Population growth, standard of living, capital accumulation, advancement of technology, etc. have to be presented in order to show how the figures of value and incomes of Malthus theory will change.

Maurice Dobb's Re-Interpretation of Ricardo: Critical Notes
Bruce McFarlane and Peter Kriesler

As is well known, M.H. Dobb was the main collaborator with Piero Sraffa during the 1950s in bringing out the Royal Economic Society's edition of *Works and Correspondence of David Ricardo*. As a result of this

experience Dobb was superbly equipped to link his new insights into Ricardo with the modern theory of economic growth and with the modern 'neo-Ricardian' writing on value and distribution.

The paper examines half a dozen of Dobb's pieces from inaccessible sources or which have become hard to find. They suggest (a) Ricardo's so-called 'abstract theory' is actually closely related to his policy advocacy; (b) the main point about Ricardo's unpublished 'Absolute Value and Exchangeable Value' (unearthed by Sraffa) was not to study the cause of variations in exchange value, but rather to find an invariant measure or standard of value; (c) Ricardo's analysis of the arrest of capital accumulation and the trend to a stationary state has had an important influence on Marxian economics; (d) an important analytical tool developed by Ricardo for his theories of distribution and stationary states was the *value-ratio* between corn input to total corn output (*Essay on the Profits of Stock*) and between labour and its product (*Principles*).

Dobb concluded that there is a 'true line of descent' which runs from Ricardo to Marx to Sraffa. Acceptance of this bears on such controversial issues as Ricardo's political outlook, Marx's critique of Ricardo and Sraffa's definitive rejection of marginal utility based theories of value and the marginal productivity theory of distribution.

Karl Marx as an Institutional Economist: A Critical Analysis of his Theory of the Reproduction of Capital
Phillip O'Hara

The purpose of this paper is to investigate institutional dimensions of Karl Marx's theory of the reproduction of capital, with a view to extending the analysis for analysing contemporary capitalism. We concentrate on Marx's analysis of reproduction, including the production and circulation of surplus value, the circuit of capital, the accumulation of capital, and money and credit. The central theme is that Marx attempted, above all, to comprehend the institutional structure and evolution of capitalism, and that we must extend beyond the production of surplus value to examine the turnover of capital, the influence of the financial system, the state, and the world economy. We also need to study the role of household labour within an extended circuit of capitalism. This paper challenges traditional Marxist political economy which gives a privileged position to the sphere of production, in preference to a method which places the economy in a social and political environment, with a macroinstitutional mode of analysis.

Alfred Marshall's reading of Das Kapital, Volume 1: Some observations on what he saw and failed to see
Barry Worrall

In several places in his publications, and elsewhere, Marshall indicated that he has a first hand knowledge of Marx. Analysis of annotations and other marginal markings in Marshall's copy of the 1867 first edition of *Das Kapital*, (recently discovered in the Cambridge University Library by the author) confirm that Marshall did indeed 'owe much to [Marx]'. The paper elaborates this, but also comments on Marshall's reasons for rejecting Marx's theoretical position.

Marshall's Theory of Value: The Role of External Economies
Neil Hart

The view that Marshall called on the existence of 'external economies' in an attempt to reconcile the existence of 'competition' and decreasing long-run average costs continues to attract many supporters. It is a view to be found readily in the value theory debates of the 1920s and subsequently in the influential writings of historians of economic thought such as Stigler. However it is argued here that in Marshall's writings, external economies were to play only a very minor role in the reconciliation problem. Subsequent writers' attention to the role of external economies to some extent reflects a lack of understanding of the precise nature of Marshall's (as opposed to the 'Marshallian') reconciliation problem.

An Institutional Approach to Mill's Recantation of the Wage Fund Doctrine

Oskar Kurer

The predominant opinion is that Mill had no good analytical reason to abandon the wages fund doctrine. The paper challenges this consensus. In his recantation Mill did introduce novel and valid analytical elements into his treatment of the labour market; under the influence of Thornton, Mill advanced an institutional theory of wage determination which presupposes that the wages fund is flexible in real terms, and which implies the share of labour is below what it would be under perfect competition.

While Hollander (1985) emphasises the continuity between classical and neo-classical economics, the stress here is on the discontinuity: Mill's analysis contains institutional elements not easily amenable to neo-classical theorising. The unwillingness of neo-classical Mill scholars to deal with institutional aspects of Mill's recantation and the inevitable failure to explain what and why Mill recanted has led to sweeping condemnations of his revised position: that it boils down to a confusion between nominal and real, that Mill himself never quite understood the wages fund theory to begin with, that it constitutes a favour to an esteemed friend and colleague, or that he deliberately misstated his position to increase the force of his attack on the prejudices of the middle classes. However, if it is accepted that Mill was concerned with the problems of institutional arrangements of the wage-setting process and its repercussions for the share of labour, it becomes clearer why he recanted, and that the main drift of his argument is consistent in its own terms.

It is right not be proper: Deciphering Jevons' Noxious Influence of Authority

Michael White

The vehemence of W.S. Jevons' attack upon the 'Noxious Influence of Authority' in political economy, here the principal target was the 'school' of J.S. Mill, has sometimes puzzled historians of economics. In providing an explanation for the basis of Jevons' hostility to Mill, this paper argues that, once placed in context, the type of language which Jevons used is readily understandable. Ironically, political economy played a relatively subordinate role in Jevons' complaints about Mill, which has led to some misunderstanding of his subsequent comments about the power and influence of the Mill school.

On the Development of Bohm-Bawerk's Interest Theory from Fisherian to Wicksellian

Shigeki Tomo

In the history of modern economics there are two different leading types of reformulating Eugen von Bohm-Bawerk's theory of capital and interest: Wicksellian (1892/1893) and Fisherian (1906/1930). The aim of my paper is to show how these ideas evolved in the course of Bohm-Bawerk's life and works.

It will be demonstrated and concluded: (1) at first, in his 1876 paper submitted to Carl Gustav Adolf Knies, the young Bohm-Bawerk reached a Fisherian intertemporal setting of interest determination by recognizing the two aspects of loan transaction: the ex-ante and ex-post questions; (2) at the same time he gave the Agio Theory as an answer to the former and 'Capital Productivity' as a clue to solve the latter question; (3) after removal to Innsbruck in 1880 he started to make critical intensive researches on the propositions of 'capital productivity', embodied in classical works of economics; (4) as a result he arrived at distinguishing two features in Capital Productivity: physical and value-productivities; (5) he formulated the 'profitability of roundaboutness' as physical productivity of capital, which leads to one of the equations in his period-of-production model (1889), mathematically reformulated by Knut Wicksell (1892/1893), Robert Dorfman (1959) and so on.

Some Minor Contributions to the Early Twentieth Century Literature of the Economics of Exhaustible Resources

T.J.C. Robinson

The contemporary economic theory of exhaustible resources is commonly believed to have its roots in Harold Hotelling's 1931 paper 'The Economics of Exhaustible Resources'. There is, however, a significant literature which preceded publication of this work. While it includes the writings of many of the prominent

classical and early neoclassical writers, it also includes some early twentieth century contributions which have been all but ignored in reviews of Hotelling's predecessors.

These early twentieth century contributions came either from authors who, in the manner of their classical predecessors, included a discussion of the economics of mineral extraction in their principles volumes, or from contributors to the literature spawned by the first conservation movement, which reached its zenith in the United States in the first quarter of the twentieth century. Included amongst the former group are Flux and Taussig while the latter group includes Orchard and Ise.

These contributions have been ignored either because they have not been discovered but have remained buried deep within the contemporaneous literature or because they were considered to have had little to contribute to the progressive development of the economic theory of exhaustible resources. Whatever the reason for their absence in reviews of the early twentieth century literature, it remains that these contributions are able to give us useful insights into the quality of the work of economists at the time. They also enabled us to observe the way in which theoretical conclusions can be distorted by the preconceptions of the theoretician.

This paper reviews the work of a small number of 'forgotten' contributors to the literature.

The Role of Hobson in the Emergence of the Marginal Productivity Theory of Distribution

Michael Schneider

J.A. Hobson was a persevering critic of the marginal productivity theory of distribution. This paper explains how it came about that Hobson nevertheless was one of these who played an important role in the emergence of the marginal productivity theory, according to which under perfect competition each factor of production, whether it take the form of labour, capital or land, received its marginal product, the total product thereby being exhausted. The paper outlines the state of distribution theory in 1890, including reference to the new theory advanced by Sidney Webb in 'The Rate of Interest and the Laws of Distribution' (QJE, 1888); shows how, and why, Hobson in 'The Law of the Three Rents' (QJE, 1891) put forward a theory of distribution which in several important respects paved the way for the marginal productivity theory; and contrasts Hobson's theory with that advanced by J.B. Clark in 'Distribution as Determined by a Law of Rent' (QJE, 1891). Two subsequent developments are then considered. First, the addition of the remaining basic elements of the marginal productivity theory by Wicksteed and Flux is outlined. Second, there is a discussion of Hobson's reasons for rejecting the theory, including a comparison with Marshall's reservations about it.

Brassey's Law and the Economy of High Wages in 19th Century Economics

Ray Petridis

This paper examines some 19th century antecedents of efficiency wage theories starting with the inductivist views of the practical business community, foremost among them being Thomas Brassey. The insights provided by these practical economists seemed to have a limited impact on the academic economists whose views are also examined. It emerges that apart from F.A. Walker, Alfred Marshall and most importantly J.A. Hobson, the neo-classical economists shied away from the difficult analytical issues thrown up by the economy of high wages.

Carl Menger's Theory of Price Formation Reconsidered

A.M. Endres

Menger's objective was to explain the most general processes of 'economic' price formation. 'Economic' prices are not just *ex post* quantitative magnitudes. Menger's perspective also allows for an account of such prices as they form from the actions of individuals and as they function as inducements to act. He theorizes about an equilibrating system where prices are formed in a potentially terminating process. Equilibrating tendencies in prices distributed within transaction-effecting ranges are treated at length while discussion of equilibrium prices as point variables does not figure prominently. He considers mostly imperfectly competitive cases usually with, *inter alia*, a finitely small number of agents bargaining over discrete units.

Prices at which transactions occur are formed in 'price duels' and distributed within ranges of indeterminacy so that there is no unique market clearing price. Both Walrasian-type equilibrium price distributions and supply constrained distributions are identifiable in Menger's illustrations. Walrasian tâtonnement, Edgeworthian recontracting and Marshallian monopoly price discrimination are not strictly applicable to Menger's illustrations. Menger illuminates price formation with the concept of an intra-marginal demand relation rather than a Marshallian demand schedule. In the development of sellers' competition, Menger employs conjectural history to predict a slow downward secular movement of prices although final trading prices remain indeterminate. His analysis of price formation should be considered an exemplar of early work in a distinctive Austrian tradition of price theory in late nineteenth century economic thought.

Kurt Rothschild and the Alternative Austrian Economics

J.E. King

For more than half a century, Kurt Rothschild, whose eightieth birthday will be celebrated in October 1994, has demonstrated that there is more to Austrian Economics than the subjectivist tradition inspired by von Mises and Hayek. Rothschild's distinctive and original contributions to Post Keynesian and institutionalist economics are outlined and critically assessed under five headings: price theory; labour economics; bargaining and power; distribution and growth; and economic policy. The paper concludes by attempting to account for Rothschild's relative neglect by other dissident economists.

The Economist as mythmaker - Stigler's Kinky Transformation

Craig Freedman

George Stigler deliberately misrepresented Paul Sweezy's work on the kinked demand curve. His version became the filter through which economists subsequently discussed and debated this model of oligopoly. This article explores Stigler's reasons for choosing to distort. Stigler's foray into economic mythmaking coincides with the potential threat Sweezy's approach represented to the bulk of the mainstream economic analysis and specifically to the type of market efficiency championed by the Chicago School. Stigler's work helped to shift the terms of debate in reference to oligopoly and the kinked demand curve in particular. As a result, any potential threat posed by Sweezy's work was defused.

Keynes's Eton Essays and Cambridge Philosophical Papers

Rod O'Donnell

The primary object of this paper is to provide an overview of Keynes's unpublished writings on philosophical topics (1903-1937) and to comment on their analytical significance. Recent research has improved their dating, uncovered new items and the papers form an essential yet controversial foundation to the analysis of Keynes's philosophical positions and their relations to his thought in economics, politics and other areas. A secondary object is to examine his earlier Eton essays (1898-1902) on mainly historical and literary subjects. Both the Cambridge papers and Eton essays will appear as Volume I of *The Collected Philosophical and Other Writings of J.M. Keynes*, a five-volume edition of Keynes's remaining significant unpublished writings intended to supplement the existing RES edition.

Steindl's Analysis of Firm Growth and the Tendency Toward Industry Concentration

Harry Bloch

A recurring theme in Steindl's analysis of firm growth is the tendency toward industry concentration. His earliest writings examine the influence of risk on firm growth. He then turns his attention to the influence of technical progress and, finally, to the influence of random processes. In each of these analyses there emerges a tendency toward the concentration of industry.

Steindl takes the concentration of industry to be an established fact of mature capitalism and sees his analysis as providing an explanation for this fact. He then examines the implications of the resulting oligopolistic pricing and investment behaviour for macroeconomic performance. The behaviour patterns attributed to oligopolistic firms are derived from the same analysis of firm growth that explains the concentration of industry. This analysis thus provides the foundation for Steindl's understanding of mature

capitalism. The present essay examines Steindl's analysis of firm growth to evaluate his explanation of industrial concentration.

The Proper Role of Monopoly or Competition Policy: Jack Downie versus Orthodox Welfare Economics
John Nightingale

In his two publications dating from the middle 1950s Jack Downie sought to define a different agenda for competition policy from that which it then took, and indeed had taken, prior to that date. The agenda he argued trenchantly in his contribution to the Economic Society symposium at the time of the Green Paper on reform of the Monopolies and Restricted Practices Court contained no reference to Harberger triangles but focussed on the rate of technological progress as the fundamental concern of policy. The present paper examines the perspective that gave rise to this agenda. Contrary to the Koopmans style argument on instruments and goals of policy, which would make technological progress the goal of some technological policy. Downie's argument is that competition policy can powerfully influence technological progress, while even if it were to focus on Harberger triangles to the extent of complete elimination, the outcome for society would be of very marginal significance.

Harrod, Hicks, Dynamics and Lags - blunting Harrod's 'Knife-Edge'
Steve Keen

Before introducing his dynamics, Harrod cautioned against five simple but erroneous ways of generating apparently dynamic analysis. While he subsequently welcomed Hicks' interpretation of his 'Towards a Dynamic Economics', in fact it turns out that Hicks carried out all of these five steps. Harrod's inability to generate the cyclical behaviour that Hicks' reinterpretation yielded was apparently a product, as Goodwin has claimed, of the limited mathematics used by Harrod. It is shown that unstable cyclical behaviour can be generated using modern mathematical techniques derived from chaos theory.

Econometric Methodology and the Philosophy of Science
Dharmika Dharmapala and Michael McAleer

Debates regarding methodological issues have become increasingly prominent within econometrics in recent years. Combined with the growing attention paid by historians of economic thought to the history of econometrics, this development has produced a greater degree of intellectual self-consciousness than has hitherto been characteristic of econometric discourse. However, econometricians have generally taken the term 'methodology' to be synonymous with 'methods', resulting in a confusion of technical and methodological issues. The purpose of this paper is to present an alternative perspective on the methodology of econometrics by relating it to the field of economic methodology, particularly through the use of concepts drawn from the philosophy of science. Definitional and conceptual issues surrounding the term 'methodology' are clarified. Three methodologies, representing abstractions from the actual approaches found within econometrics, are identified. Firstly, 'traditional' econometric methodology, which tends to accord axiomatic status to economic theory, is outlined. The philosophical foundations of this approach are explored with reference to the interpretative strand within the philosophy of the social sciences. The second approach, which can be related to Friedman's methodology of 'positive' economics, is an 'instrumentalist' one emphasising prediction as the primary goal of econometrics. Finally, there is a stream of econometrics which draws inspiration from Popperian falsificationism. These approaches are critically evaluated by introducing relevant issues from the philosophy of science.

The First Methodenstreit, 1865-70: The Role of Cliffe Leslie
Gregory Moore

In contrast to the existing secondary literature which dates the beginning of the English *Methodenstreit* or 'battle of methods' from the 1870s, this paper demarcates the turbulent years of 1865-70 as the first phase of this famous dispute. The methodological debate in these earlier years is portrayed as a self-contained discussion between John Stuart Mill and three of his wayward disciples: Frederic Harrison, T.E. Cliffe Leslie, and John Elliot Cairnes. It is argued that each of these earnest scholars was disconcerted by the way

in which the 'popular' or 'vulgar' political economists were employing the orthodox economic tendency laws to justify the existing economic order, and that their concerns were magnified by the rapidly deteriorating domestic situation which characterised the late 1860s. It is further argued that the four interlocutors were motivated by these misconceptions and domestic crisis to achieve two methodological objectives. Firstly, they wished to reveal clearly the true methodological limits of orthodox political economy so that the science of political economy could no longer be used as a conservative tool against reform. Secondly, they wished to propagate various methodological frameworks which were more conducive to reform. After examining the conflicting methodological visions of the discussants, the paper ends with a detailed examination of the evidence linking their participation in the debate to the shifting socio-economic environment.

OTHER NEWS

Richard Holt informs us of the establishment of a new electronic discussion group, Post Keynesian Thought. To join this group send the following message:
 mail to: listserv@csf.colorado.edu
 In the message area put: sub pkt your name
 or write Richard Holt, Economics Department, Campus Box 2146, Elon College, NC USA 27244-2020.

Death notices: Kenneth Boulding (March 18, 1993), Edward Denison (October 23, 1992), Friedrich von Hayek (23rd March, 1992) and George Shackle (3rd March, 1992).

Note the publication of the *Marshall Studies Bulletin*. Volume I came out in 1991 and contains 50 pages of articles and reviews by Whitaker, Groenewegen, Kadish, O'Brien and others. The Managing Editor is T. Raffaelli and address is Dipartimento di Scienze Economiche, Via Curtatone, 1. 50123 Firenze, Italy.

We have received the *Information Bulletin of the Union of National Economic Associations in Japan* (No.12 1992). Page 53 lists the *Society for the History of Economic Thought* which was established in 1950 and has 808 members. The Society publishes an *Annual Bulletin* and a *Newsletter*. The President is T. Tanaka from Kwansai Gakuin University and the next annual meeting will be held on November 6-7, 1993 with a symposium on the 'History of Japanese Economic Thought'.

During the recent HETSA Conference we received copies of several articles from our Japanese visitors. Shigeki Tomo provided us with the *Earlier Lectures on Economics by Bohm-Bawerk* a publication of the Center for Historical Social Science Literature, Hitotsubashi University. It is dated March 1987, approximately 100 pages, and edited and introduced by Tomo. Dr. Tomo is also the author of 'The Stein Affair and its Affect on Bohm-Bawerk's Life and Theory' in *KSU Economic and Business Review* May 1992 No.19 pp.37-47. Professor Hitoshi Hashimoto provides four offprints - 'Malthus and the Wealth of Nations: His Examination papers and Inverarity Manuscript' pp.19-95 from *KSU Economic and Business Review* No.15 May 1988; 'Wicksell' in same Journal, No.19 May 1992 pp.49-80; 'Journal Kept by Harriet Eckersall (Afterwards the wife of T.R. Malthus)' in same Journal No.17 May 1990 pp.25-70; and 'Wicksell's Chronology' pp.88-147 from *Economic and Business Administration Review* 25.4 March 1991.
