

# **HETSA**

## **History of Economic Thought Society of Australia**

**Eleventh Conference**

**1998**

**Conference Organisers**

**Steve Keen**

**Alex Blair**

**University of Western Sydney**

**Macarthur**

## HETSA '98 Conference Program

## HETSA '98 Program

From	To	Wednesday	Thursday	Friday
8:00AM	8:30AM	<b>Registration</b> (outside LT 3, Building 4)		
8:30AM	9:00AM			
9:00AM	9:30AM			
9:30AM	10:00AM	<b>Economics, Ethics and Religion:</b>	<b>Money and Speculation:</b> Nelson, White (Mike), Juniper (Chair: Batten)	<b>Growth and Cycles</b> Halevi, White (Graham), Anderson (Chair: Daly)
10:00AM	10:30AM	Oslington, Waterman, Neville		
10:30AM	11:00AM	(Chair: George)	<i>Morning Tea</i>	<i>Morning Tea</i>
11:00AM	11:30AM	<i>Morning Tea</i>	<b>Conservation and Cumulative</b>	<b>Retrospectives: Petty, Carlyle and</b>
11:30AM	12:00AM	<b>Mirowski</b>	<b>Causation</b>	<b>Maupertuis</b>
12:00AM	12:30AM	(Chair: Keen)	Kates, O'Hara, Toner	Aspromourgos, Groenewegen, Coleman (Chair: Kriesler)
12:30AM	1:00PM	<i>Lunch</i>	<i>Early Afternoon Tea</i>	<i>Lunch</i>
1:00PM	1:30PM		<b>Working Papers</b>	
1:30PM	2:00PM	<b>Outsiders and Insiders: Austrians, E. Roy and X-Efficiency</b>	Nightingale, Fishburn, Kriesler, Moore, Oslington, Andresen (Chair: Blair)	<b>Malthus, Mathematics and Macroeconomics</b> Pullen, Waterman, Nyland (Chair: Gangopadhyay)
2:00PM	2:30PM	Craver, Freedman, Lodewijks (Chair: Hart)	<b>Wine Tasting and Late Lunch/Early Dinner at</b>	
2:30PM	3:00PM		<b>Vickery's Vineyard</b>	<i>Afternoon Tea</i>
3:00PM	3:30PM	<i>Afternoon Tea</i>	The Northern Road Luddenham	<b>Money and Consumption</b> Smith, Steindl, Messinis
3:30PM	4:00PM	<b>Leijonhufvud</b>		
4:00PM	4:30PM	(Chair: Junankar)		
4:30PM	5:00PM			
5:00PM	5:30PM	<b>Business Meeting</b>		
5:30PM	6:00PM			Train to City for dinner/ overnight accommodation
6:00PM	6:30PM	<b>UWS Macarthur Reception</b>		
6:30PM	7:00PM	Foyer to Building 21		
7:00PM	7:30PM			<b>Annual HETSA Dinner</b> Maitilda Catamaran. 7pm arrival for 7:15pm boarding.
7:30PM	8:00PM			
8:00PM	8:30PM			
8:30PM	9:00PM			Guest speaker Stewart Fitt, on "A Technologist's view of Economics"
9:00PM	9:30PM			
9:30PM	10:00PM			

## HETSA 98: Abstracts and Papers

1. Anderson, Phil, "How social behaviour and economic thought has followed the Kondratieff waves"
2. Aspromourgos, Tony, "An Early Attempt at Some Mathematical Economics: William Petty's 1687 algebra letter, together with a previously undisclosed fragment."
3. Bruce, Kyle (and Chris Nyland), "Taylorism, Institutionalism, and Business Stabilization: 1903-1923"
4. Coleman, William & Beeson, David. "When Political Economy "Crossed The Sea": An Unpublished Paper By Maupertuis On Bimetallism"
5. Freedman, Craig, "The Xistence of Definitional Economics - Stigler's and Leibenstein's War of the Words"
6. Craver, Earlene, "Interlocking Circles"
7. Groenewegen, Peter, "Thomas Carlyle, 'The Dismal Science', and the contemporary political economy treatment of the slavery question"
8. Halevi, Joseph, "The evolution of Growth Theory from Classical Dynamics to Vertical Integration"
9. Juniper, James, "A Genealogy of Short-Termism in Capital Markets"
10. Kates, Steve, "Say and Say's Law as Revealed in History of Thought Texts"
11. Leijonhufvud, Axel, "A Tale of Two Traditions"
12. Lodewijks, John, "Roy Weintraub's contribution to the history of economics"
13. George Messinis, "Habit Formation in Consumption: Successes and new challenges"
14. Mirowski, Phil, "Machine Dreams: Economics Becomes a Cyborg Science"
15. Nelson, Anitra, "Marx's concept of money: the God of Commodities"
16. Nevile, John, "The integration of theological and economic discussion: a case study on macroeconomic policy"
17. O'Hara, Phil, "Veblen's Evolutionary Economics: An Analysis of the Relevance of Veblen's Political and Social Economy for the Twenty First Century"
18. Oslington, Paul, "A Theological Economics"
19. Pullen, John, "Why modern economists should read Malthus' *Principles of Political Economy*"
20. Smith, Matthew, "The monetary thought of the pre-Banking School Tooke, 1819-1838"
21. Steindl, Frank , "The Decline of a Paradigm: The Quantity Theory and Recovery in The 1930s"
22. Toner, Phil, "Analytical Foundations of the Theory of Circular and Cumulative Causation"
23. Waterman, A.M.C., "Malthus, Mathematics and the Mythology of Coherence"
24. Waterman, A.M.C., "The Sudden Separation of Political Economy from Christian Theology"
25. White, Graham, "Rethinking Kalecki on Trend and Cycle"
26. White, Mike, "Obscure Objects of Desire? 19th Century British Economists and the Price(s) of 'Rare Art'."

## Abstracts

Anderson, Phil, How social behaviour and economic thought has followed the Kondratieff waves

Business cycles have had a profound effect on world economies over the past many centuries. Not only have the effects been clearly visible in world history, these business cycles have also been quite regular in their occurrence; the usual decade cycle, a property cycle and even the longer term, so called Kondratieff wave. This paper will examine these business cycles, with an emphasis on commodity prices, to demonstrate how economic and social behaviour has largely been determined by the ups and downs, or swings, in the cycles, and also in the swings of prices of the more common commodities, wheat and energy especially. Particular attention will be given to the prosperity and recession phases of each business cycle and how this has determined, amongst other things; global conflict, business innovation, and the flow of economic thought. Finally, this paper will demonstrate the clear repetition of history; how the cycles are repeating, and state a clear hypothesis as to why. The paper will finish with a few forecasts.

Andresen, Trond, "Phillips' 'hydraulic Keynesianism' - if only he'd had a PC!"

In two seminal papers (1954, "Stabilisation policy in a closed economy", *The Economic Journal*, vol. LXIV; 1957, "Stabilisation policy and the time-forms of lagged responses", *The Economic Journal*, vol. LXVII), A.W. Phillips (who today is known almost exclusively for the Phillips curve) modelled the circular macroeconomic flow as a dynamic linear system, consisting of interconnected sub-entities. After an initially enthusiastic reception, these papers were subsequently disparaged as "hydraulic Keynesianism", possibly since at the time they were written published (in 1954 and 1957), economists did not have the tools to simulate these models. Macroeconomics continued down its static equilibrium IS-LM route. Phillips uses block diagrams, operator symbolism, feedback, step responses, stock/flow dynamics, time lags as opposed to time delays - and applies control schemes to his macroeconomic model. From a systems theory point of view, these articles are very modern, considering that they were published in 1954 and 1957. Phillips initially had to employ physical hydraulic models, later on he had access to an analog electronic simulation machine, both cumbersome and expensive tools. Today's computer simulation tools, however, make it a breeze to simulate such models. A simulation of Phillips' 1954 model will be given. A somewhat whimsical conclusion is that economics could have developed very differently if only Phillips (and other talented economists) had had PCs during the 50s!

Aspromourgos, Tony, "An Early Attempt at Some Mathematical Economics: William Petty's 1687 algebra letter, together with a previously undisclosed fragment."

William Petty's correspondence with Robert Southwell offers many insights into Petty's own thought, and the seventeenth century in general. One letter by Petty, of November 1687, in particular greatly clarifies his vision of a mathematical, deductive and empiricist social science. This paper presents a variorum text of that letter, together with two related fragments from the British Library archives - one of which has never been previously disclosed. Together, these documents are important testimony to a conception of social theory, which was not to be realized until much later.

Bruce, Kyle (and Chris Nyland), "Taylorism, Institutionalism, and Business Stabilization: 1903-1923"

The past decade has witnessed an intense re-examination of the genesis and spirit of the scientific management movement associated with the name of Frederick Winslow Taylor. In a recent paper, Nyland (1996) has outlined the traditional depiction of scientific management and the nature of the revisionists' challenge and in so doing has made it easier to explain why it was that Institutional economist like Veblen, Mitchell, J. M. Clark, and Rex Tugwell actively supported the scientific management movement through the interwar years. However, it is our contention that the extent to which Taylor and his followers concerned themselves with the stabilisation of output and employment is a key factor in understanding these developments and. This is an issue that has not

been adequately explored. Commons and indeed, the Taylorists' focus on labour explains the former's involvement with the scientific management movement. However, the issue of labour relations was not the central focus for most of the interwar Institutionalists mentioned above. Economic stabilisation, by contrast, was a topic perceived to be of fundamental importance both to the Taylorists and the Institutionalists. Hence, by examining this issue the paper not only adds to our understanding of the scientific management movement, but also greatly assists clarification of the interwar Taylorist-Institutionalist collaboration. The paper begins with a brief discussion of Frederick Taylor's thoughts regarding output and employment stabilisation, and then proceeds to chronicle the connections forged between the Taylorists and prominent institutional economists in this vein. Finally, the paper explores the significance of this interface in the context of the relationship between the economics and management disciplines, and in the context of the revisionist history of scientific management.

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Coleman, William & Beeson, David. When Political Economy "Crossed The Sea": An Unpublished Paper By Maupertuis On Bimetallism.

The paper translates and analyses a recently discovered unpublished paper on bimetallism by Pierre-Louis Moreau de Maupertuis (1698-1759), the brilliant Newtonian and polymath. The argument of the paper is analysed, the historical context of the paper is explained, and the roots of its ideas are traced to earlier literature on bimetallism by Petty, Locke and Cantillon. The study of the paper's ideas brings out the significance of the Anglophilia of the early French enlightenment for political economy in France of that time. The study of paper's origins underlines how political economy was part of the Enlightenment that the luminaries hoped to bring to their society.

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Craver, Earlene, "Interlocking Circles"

During the period between the two world wars, Vienna remained an important center for the study of economic theory. The continuation of the Austrian tradition begun by Carl Menger took place in settings largely outside the university. This paper will look at the connections between the "circles" or "kreis" which economists frequented. As an example of the cross-fertilization of ideas that came about through these ties, the author will explore the relations between Schutz and Hayek in the 30's.

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Freedman, Craig, The Xistence of Definitional Economics - Stigler's and Leibenstein's War of the Words

The inability to agree on definitions ultimately can condemn economic analysis and debate to fruitless argumentation. The sharp interchange between Stigler and Leibenstein did little to clarify the issues surrounding the controversial theory of X-efficiency. Given their conflicting agendas, discussion between these two opponents consisted largely of talking at cross purposes. This paper examines the motivations of the two protagonists as well as considering the impact such tactics have on economic debate and discussion.

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Groenewegen, Peter, Thomas Carlyle, 'The Dismal Science', and the contemporary political economy treatment of the slavery question

Thomas Carlyle's description of political economy as the 'dismal science' is well known. Less well known is that this epithet was first coined in 1849 in an article, later published as a pamphlet, entitled, 'Occasional Discourse on the Nigger Question' (*Fraser's Magazine*, December 1849). This examined the complaints from British plantation owners in the West Indies about labour scarcity following the prohibition of slavery in British possessions in 1834 (the year of the new poor law). The abolition of slavery in the French colonies (including its sugar islands of the Caribbean) in 1848 made the topic a particularly relevant one. The first part of the paper summarises Carlyle's argument and that of his implied antagonist, J.R. McCulloch; the second examines aspects of the economic thought on slavery of the 1840s, 1850s and 1860s; a final section presents some conclusions.

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Halevi, Joseph, "The evolution of Growth Theory from Classical Dynamics to Vertical Integration"

This is my way to celebrate the 150th anniversary of the Communist Manifesto. The paper will argue that Classical dynamics is rooted in corn type Ricardian models where by definition output is eaten and/or accumulated as corn seeds for future investment. In *Das Kapital* Volume I Karl Marx took up completely the Ricardian Corn story thinking that it could be generalized via the labour theory of value. It will be pointed out that Marx's cyclical growth depends on the ex ante identity between savings and investment. If we set aside the falling rate of profit theory, the system's behaviour is cyclically optimistic and expectations are rational: capitalists know what to expect and also when. It will be then argued that as soon as investment is the determinant of savings the dynamic processes of the system can no longer be ascribed to objective laws of accumulation. It is shown that in the vertically integrated approach by Pasinetti there are immanent forces but no objective laws as growth depends on effective demand conditions. It is finally concluded that this is a more radical approach than that of Karl Marx.

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Jones, Evan, "Economists and Stasis: The throttling of understanding"

The economics profession has shown a marked attachment to deterministic analysis. At its crudest, this predilection has been manifest in the framing of analysis within static structures. Optimum (equilibrium) outcomes are the centre of attention: time is dealt with not historically but conceptually in the form of 'disequilibrium'. Much methodological critique of such tendencies has been forthcoming. However, inadequate attention has been given to the operationalisation and reproduction of this tendency—the impact at the microscopic level in the channelling of treatment and subject matter. Debate 'rages' (the profession has never been monolithic) but within constrained parameters, dictating that the debate will end in exhaustion with no intellectual 'progress'. The discipline's history is littered with fruitless debates, with substantial adverse effects on succeeding generations of apprentices. Two case studies of this phenomenon are discussed: first, the reception of Keynes's 'marginal efficiency of capital' and its bastardisation into a static structure; second, the debate on 'do firms maximise profit?', and its death by strangulation. These two instances were instrumental in the loss of one budding apprentice from the fold.

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Juniper, James, "A Genealogy of Short-Termism in Capital Markets"

The paper reviews a series of recent UK empirical studies of short-termism based on rational valuation formulae to clarify the distinction between short-termism in the form of underweighting and excessive discounting of expected returns, and short-termism in the form of investor myopia. A brief genealogy of concept of short-termism is provided which traces its development from the writings of John Stuart Mill and Adam Smith on the management of joint-stock companies, Karl Marx on the contradiction between forces and social relations of production, and Max Weber on the difference between formal and substantive modes of capitalist rationality, to the modern interpretations of Kelvin Lancaster and others based on implicit contracts and game-theory. These modern perspectives are interrogated in respect to the role played by social institutions, norms, and conventions in facilitating implicit contracts between owners and managers, managers and workers, and borrowers and lenders. Alternative approaches to short-termism are then considered, including those based on Myopic Loss Aversion or Prospect Theory, Schliefer and Vishny's Noise-Trading Model, neoclassical models of liquidity premia, and Keynesian notions of liquidity preference. Policy implications are also considered along with options for further research.

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Kates, Steve, "Say and Say's Law as Revealed in History of Thought Texts"

This paper examines the historical J.-B. Say as assessed by writers of texts on the history of economic thought in different time periods. The aim is to determine the attitude taken by different writers at different times not only to Say himself, but also to Say's law of markets. It will be seen that the general regard for Say as an economist, and for the law of markets as an economic principle, stands up well during most of the nineteenth century but

begins to weaken following the marginal revolution and falls very sharply after the publication of the *General Theory*.

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Keen, Steve. Nudge Nudge, Wink Wink, Say No More: An Analysis of Economics' Most Enduring Myth

The historiography of Say's Law is briefly outlined. Its conceptual foundations are analysed, both in its original form and as restated by Clower and Leijonhufvud. It is argued that the Walras' Law of closure of markets is functionally identical to Say's Principle. It is shown that these concepts apply only in a system lacking both accumulation and the motive to accumulate. In a system with accumulation, the sum of excess demands is negative. The ramifications of this for economic theory are briefly outlined.

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Leijonhufvud, Axel, "A Tale of Two Traditions"

Two approaches to economic theory are distinguished. The first, here called *Classical*, is adaptive and evolutionary. The second, referred to as *Modern*, builds on optimizing and equilibrium assumptions. One goes back to the verbal difference equations of the British Classical School with its ambitions to deduce the laws of motion of the entire economic system. The other builds from rational choice theory to find the principles of efficient resource allocation. For a very long time, the conceptual distinctions between the two were not sharply drawn or regarded as very important. In the models that were the common core for economists everywhere, the ex post rest states of adaptive agents using gradient procedures were indistinguishable from the optimality conditions of rational ex ante choosers. The lecture will outline an interpretation of Marshall that finds no optimal choice in his theory at all but puts him squarely in the Classical tradition. A comparison of Marshall's method of building a model of a competitive market with the Modern construction of a perfectly competitive market is used in an attempt to highlight the significant conceptual differences between the two modes of theorizing. A companion paper, "Mr Keynes and the Moderns", *European Journal of the History of Economic Thought*, 5:1, Spring 1998, puts Keynes, as a Marshallian, in the Classical tradition and seeks to explain why the conceptual foundations of the *General Theory* has become incomprehensible to economists with a strictly Modern training.

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Lodewijks, John. Roy Weintraub's contribution to the history of economics.

An "outsider" to our craft can bring a number of alternative perspectives to the way we do the history of economic thought. This paper examines the historiographic perspective of E.R. Weintraub and the contribution this makes to our understanding of general equilibrium and mathematical economics and our relationship with historians of science.

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Messinis, George. "Habit Formation in Consumption: Successes and new challenges"

Disciplines such as philosophy and psychology have long acknowledged habits as an important feature of human behaviour. In economics, the idea was briefly considered after WWII but remained in limbo until the 1980s. The habit formation hypothesis has survived two powerful traditions: the ultra myopic Keynesian view and the ultra rational Neoclassical view. Both seem to focus on ideal constructions and pay little attention to psychological factors. The habit formation literature has made an important contribution towards explaining many of the empirical puzzles in consumption. The paper seeks to illuminate these positive attributes. It also points to new challenges. In the late 1990s there is mounting evidence of consumers being more forward-looking since the deregulation of financial markets. The paper argues that the habit formation literature can avoid a relapse into obscurity if habit modification is acknowledged.

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Mirowski, Phil. "Machine Dreams: Economics Becomes a Cyborg Science"

(This is a brief extract from the paper) "This breaching of the ramparts between the Natural and the Social, the Human and the Inhuman, may be the most important attribute of the Cyborg sciences. Prior to WWII, there were of course numerous research programs which attempted to 'reduce' the Social to the Natural. Neoclassical economics was just one of many, which also included Social Darwinism, Kohler's psychological field theory, eugenics, and a whole host of others. However, the most important fact about all of these early profiles in scientism was that they implicitly left the barriers between Nature and Society relatively intact; the ontology of Nature was not altered by the reductionism, and controversies over each individual theory would always come back sooner or later to the question of "how much" of Society remained as the surd of Naturalism after the supposed unification. With the advent of the cyborg sciences after WWII, something distinctly different begins to happen. Here and there, a cyborg intervention agglomerates a heterogeneous assemblage of humans and machines, the living and the dead, intention and teleology, and before we know it, Nature has taken on board many of the attributes conventionally attributed to Society, just as Humanity has simultaneously been rendered more machine-like. Whereas before, the drive for unification always assumed the format of a take-no-prisoners reductionism, usually with physics imposing its traditions and formalisms onto some particular sphere of social or biological theory, now it is the ontology of Nature that has itself grown ambiguous...."

Nelson, Anitra. Marx's concept of money: the God of Commodities

Since Marx defines the commodity in a unique way, his theory of the money commodity is a unique commodity theory of money. Evolving out of his alienation theory, 'money' is closely connected with 'abstract labour' and 'value'. Consequently what is problematic in the latter concepts is problematic for the concept 'money' and vice versa. Marx's theory of money developed out of a critique of the utopian socialists' concepts of money, labour-time and exchange-value and has definite political implications. Marx's theory of money is essential to his theory of value. 'Value' is labour objectified and alienated in commodities, and appears in circulation as 'exchange-value', which becomes 'independent' in money, the 'value form'. Money is necessary for commodity exchange and therefore commodity production. According to Marx the commodity and money forms implicitly contain 'labour' and 'capital'. Hence Marx argues against the utopian socialist claim that monetary reform can produce a non-capitalist exchange economy. Also, besides Hegel's method, Marx adapted certain ideas from Hegel's Logic, especially passages on 'measure' in the section on 'Being', to develop his concept of money. Aspects of Marx's framework for relating 'price', which appears in circulation, and 'value', the essential relation in production, seem similar to Hegel's elaboration of the 'force' in its 'manifestation' in the Phenomenology of the Spirit. However Marx criticised Hegel too: Marx's concept of money was intended to be materialist and revolutionary. Yet it doesn't wholly escape from Hegel's idealism, and the dialectical interpretation and presentation has analytic weaknesses.

O'Hara, Phil, "Veblen's Evolutionary Economics: An Analysis of the Relevance of Veblen's Political and Social Economy for the Twenty First Century"

The purpose of this paper is to explore the contemporary relevance of Thorstein Veblen's (1857-1929) institutional-evolutionary political and social economy, in the light of his major works, especially "Why Economics is Not an Evolutionary Science" (1898) and the *Theory of the Leisure Class* (1899), but also other works. In examining the contemporary relevance of Veblen, I start by scrutinising the major problems of the contemporary capitalist world economy, and then seeing to what extent Veblen's questions were of concern in these respects. First I start with the question of differential power relationships between classes, genders, and races: the causes and nature of these differentials. Secondly, I examine the question of rapid change and metamorphosis of institutions and the increasing dominance of the market (also in relation to the "environment"). Thirdly, I study the nature of business cycles and long waves: the nature of booms and recessions in short and long-term dynamics. Lastly, I look at the question of policy and how to reform and restructure the institutions of capitalism. First, he specifically examined the source of inequality. The have nots are said to accept the dominant institutions which render them poor through socialisation processes and handouts; including demonstration effects. Women historically have labored at the most important tasks of reproduction and sustenance while men played their power games in the public arena. And different ethnicities have unequal access to economic resources on the basis of culture and relative dominance in the world economy.



Veblen was the theorist par excellence of evolution and metamorphosis. His prime hypothesis is that institutions and economic systems evolve continuously, although at different speeds and dimensions of change in different time periods. Because he rejected teleologies he argued that systems do not necessary move in one particular direction, but rather evolve in complex ways. Change tends to be circular and cumulative, in the sense that the various forms of change often build on each other, leading to radical change in certain epochs. Equilibrium is teleological whereas cumulative change is unidirectional and non-equilibrium in nature. His understanding of business cycles and long movements of capitalism was due to his understanding of the financial dominance of industry by business: a monetary theory of production. Lastly, I explore the nature of policy and why Veblen is often said to be on poor ground here. However, I argue, there are many implicit policy measures underlying Veblen's political economy; many of which are systemic. A conclusion follows.

Pullen, John. "Why modern economists should read Malthus' *Principles of Political Economy*"

Keynes drew the world's attention to Malthus' view on effective demand, but there are aspects of Malthus' *Principles of Political Economy* which Keynes appears to have ignored (perhaps through oversight, perhaps because of considered rejection) but which in my view have considerable relevance for modern economic theory and modern economic policies. These neglected aspects of Malthus' *Principles* are: (1) Malthus' "doctrine of proportions". Although Keynes was aware of Malthus's emphasis on balance and proportion, he did not appear to appreciate fully the extent to which this doctrine permeated and moulded Malthus' macroeconomics. Modern economics also does not appear to recognise the significance of the doctrine; (2) Malthus' concept of causation. A characteristic and unusual feature of Malthus' macroeconomics is its emphasis on multiple, complementary and reciprocal causation. Malthus criticised Ricardo and others for their tendency to reduce all causes to one, and would not have had difficulty in identifying a similar tendency in much of modern economics; (3) Malthus' practical orientation. Although Malthus did not dispute the importance of the pursuit of knowledge for knowledge's sake, he also asked of the political economy of his time: *Cui bono?* (or what is its practical utility?). The full title of his *Principles* was *Principles of Political Economy considered with a view to their practical application*; (4) Malthus' theory of interest. Despite Keynes's glowing tributes to Malthus, he alleged that Malthus' system contained a major defect, viz., it lacked an acceptable theory of interest. Keynes believed that his monetary or liquidity theory of interest overcame this alleged defect, but in my view the alleged defect can be overcome by interpreting Malthus' traditional loanable-funds theory of interest in the light of his doctrine of proportions, without having recourse to a liquidity theory; (5) Malthus' synthesis of demand-led and supply-led theories of growth. In keeping with his doctrine of proportions, Malthus emphasises both demand-side causes (tastes, wants, purchasing power, distribution, etc.) and supply-side causes (resources, labour, savings, capital, machinery, inventions, etc.). Keynesian economics has tended to emphasise demand, and New Classical Macroeconomics, in reaction to the excesses of Keynesian pump-priming, has returned to a classical emphasis upon supply factors. What is obviously required is a Malthusian synthesis instead of extreme antithetical differentiation.

Smith, Matthew. "The monetary thought of the pre-Banking School Tooke, 1819-1838"

There is general agreement among scholars that there are two main phases in the evolution of Thomas Tooke's monetary thought: the pre-banking school phase of 1819-1838 when his views remained broadly within the bounds of monetary orthodoxy and the banking school phase of 1840-1857 when he developed an alternative monetary analysis to the classicals' quantity theory. This paper is concerned with the formation of Tooke's pre-banking school monetary thought. It shows that from the beginning Tooke did not subscribe to Ricardo's strict version of the quantity theory and that from the mid-1820s onwards he developed a systematic position distinct from monetary orthodoxy. The paper shows that by 1838 the pre-banking school Tooke had taken the view that the classicals' quantity theory was only relevant to explaining monetary behaviour and the price level during the period of restriction (1797-1821) and was of little practical relevance after 1821 when Britain went onto the gold standard.

Steindl, Frank. The Decline Of A Paradigm: The Quantity Theory And Recovery In The 1930s

The paper investigates the disappearance of the quantity theory as a vehicle for understanding the 1933-42 recovery in the United States, a fascinating episode in its own right. From the March, 1933 trough through June, 1942, industrial production grew at a 13.5 percent annual rate. An understanding can be divided into explanations emphasizing monetary, fiscal, mean-reversion, and credit channel frameworks. The paper concentrates on the monetary explanation. It arrays strong evidence in support of a monetary-driven recovery. The evidence is based initially on Friedman and Schwartz (1963) and Romer (1992), whose data appeared thirty years after the trough. On the basis of monetary data available during the recovery, the results of those analyses are replicated, thereby establishing that a quantity theory explanation was possible in the thirties. The paper then investigates the extent to which economists in those times attributed the recovery to increases in the money stock, an understandable approach in light of the quantity theory as a macroeconomic paradigm. That is, the paper considers the extent to which the gold-driven increases in the money stock were assigned credit for the recovery. The principal finding is that economists were oblivious of the strong monetary impulse driving the recovery: the quantity theory was nowhere to be seen. Instead, the themes of excess reserves, gold inflows, and the Treasury-as-Central Bank dominated. The paper concludes with a discussion of the perceived anomalies in the quantity theory paradigm which caused it to disappear before a new one arose, a sequence at variance with the Kuhnian hypothesis.

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Toner, Phil, Analytical Foundations of the Theory of Circular and Cumulative Causation

This brief paper provides an outline of the origins of the theory of cumulative causation and the core concepts which are the foundation of this theory of growth and development. The origins of the theory of circular and cumulative causation are complex and diffuse, but are to be found mainly in the classical tradition of political economy, notably Adam Smith, Jean-Baptiste Say, Charles Babbage, John Stuart Mill and Karl Marx. The Cost Controversy in the 1920s provided the context for the initial statement of the idea by Professor Allyn Young in his famous 1928 paper. Subsequently, the concept has provided the foundation for non-neoclassical approaches to growth and under-development in leading writers such as Gunnar Myrdal, Paul Rosenstein-Rodan and Nicholas Kaldor. The core concepts of the theory are increasing returns, external economies, and complementarity in production and consumption. These assumptions and the policy implications flowing from them are compared and contrasted with the neoclassical approach.

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## Working Papers

1. Andresen, Trond, "Phillips' 'hydraulic Keynesianism' - if only he'd had a PC!"
2. Fishburn, Geoff, "A slightly sordid conception: the origins of modern statistical analysis"
3. Jones, Evan, "Economists and Stasis: The throttling of understanding"
4. Keen, Steve. "Nudge Nudge, Wink Wink, Say No More: An Analysis of Economics' Most Enduring Myth"
5. Kriesler, Peter, "The foundations of growth theory"
6. Oslington, Paul, "Political economy in John Henry Newman's *Idea of a University*"
7. Moore, G.C.G., "The failure of the city of Glasgow Bank and the consequent lemon market for unlimited liability shares"

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*HETSA 98 : <http://btwebsh.macarthur.uws.edu.au/steveK/hetsa98.htm>*

Barry Gordon Prize

Best first paper by a Postgraduate Student presented at a  
HETSA conference

**1998 Winner**

**George Messinis**

# HISTORY OF ECONOMIC THOUGHT SOCIETY OF AUSTRALIA

## Business Meeting - Eleventh Conference

University of Western Sydney, Macarthur

Wednesday, July 15, 1998

Twenty one members were present. Ian Kerr was in the Chair. John Lodewijks acted as minute secretary. The meeting commenced at 5.30 p.m.

1. Minutes of the July 1997 meeting at the University of Notre Dame, Freemantle were confirmed.

2. *Matters arising* - Ian Kerr's investigations concluded that there were no tax implications arising from the HETSA surplus as we were engaged in a tax exempt activity. Enquiries had ascertained that the European Summer School proposal was still under consideration and Phil Mirowski briefed us on aspects of the proposal. Peter Groenewegen supported this proposal and recommended HETSA subsidizing this venture perhaps through student scholarships. Peter also indicated that there would be no special Malthus session at the 27th Annual Conference of Economists as a key speaker was unavailable.

3. *Chief Executive Officer's Report and Financial Report:*

Membership of HETSA had reached a plateau with the present number of 171 subscribers, but there was a healthy growth of overseas subscribers (68 members). The circulated HETSA Income and Expenditure Statement and Balance Sheet (as at 30 June 1998) showed a closing balance of \$17,816. This figure did not include a projected \$2000 deficit arising from the Freemantle conference which had not yet been processed.

4. *HER Editor's Report:*

The Winter 1998 issue (No.27) of the History of Economics Review was published earlier this year and contained a minisymposium on the editing and refereeing process in the HET prepared by Robert Leeson. The Summer 1998 issue was near being finalized. The editor was pleased with the journal's growing reputation as demonstrated in citations in leading journals (most recently the J. Econ. Lit.) and one of its articles being nominated for the HES best paper prize. The full page advertisement in HOPE was also very handy.

5. *Net advantages to HETSA of its journal being produced by a major publishing house?*

Ian Kerr read a letter from Blackwells about the nature of agreements between scholarly societies and Blackwells. John Nightingale recounted the experiences of Prometheus with Carfax. Phil Mirowski noted that when JET was produced by Carfax they raised subscription fees and kept the library subscription fees. Grant Fleming mentioned that when the *Australian Economic History Review* was produced by Blackwells the subscription fee was raised by a third and the number of issues was increased. Jerry Courvisanos suggested we maintain the status quo and be alert to future opportunities especially with smaller publishers. Members agreed to maintain the status quo.

6. *Expenditure Proposals:*

Steve Keen suggested raising the conference registration fee from \$200 to \$250. Members supported further student subsidies to attend HETSA and student scholarships to attend the European summer school. HETSA would continue subsidizing overseas scholars to attend HETSA Conferences subject to the state of our finances to be reviewed at each conference.

7. *HETSA Membership Fees*

It was agreed to raise annual membership fees to \$20 (\$US25 for overseas subscribers). There would also be a separate institutional rate of \$30 (\$US40 for overseas institutions).

8. *Future HETSA Conferences*

Fifty-one people registered from the 1998 University of Western Sydney Conference. Grant Fleming put in a successful bid to stage the 1999 Conference in conjunction with the Humanities Research Centre and the Australian National University. Grant briefed us on the preparations that had been made so far. Peter Groenewegen and Tony Aspromourgos put in a bid to have the 2000 HETSA Conference at the University of Sydney.

9. *Other Business:*

Where possible, it was suggested that conference conveners continue the practice of setting up HETSA Conference web pages. Members were encouraged to identify candidates for the 1999 HETSA Prize.

Steve Keen and Alex Blair were heartily congratulated for their efforts in organizing another splendid HETSA Conference. While their ship may not always come in they kept a firm hold of the internet rudder at all times.

The meeting closed at 6.35 p.m.