



THE AUSTRALIAN NATIONAL UNIVERSITY

History of Economic Thought Society of Australia
Twelfth Conference

Humanities Research Centre
The Australian National University
Canberra, Australia,
14-16 July 1999

Conference Programme and Abstracts

Organised by

Grant Fleming

Australian National University

Tuesday 13 July

6.00-7.30pm **Registration and Pre-Conference Drinks**, Crisp Tearoom, Crisp Building, Faculty of Economics and Commerce
Casual dinner arrangements

Wednesday 14 July

9.00-9.20

Registration

9.20-9.30

Welcome, Professor Graeme Clarke, Associate-Director of Humanities Research Centre

9.30-11.00

Session 1: Issues in Classical Economics (Chair: Ian Kerr)
Boisguillebert's theory of money, circular flow, effective demand and distribution of wealth by Peter Groenewegen
Utility and justice in Jeremy Bentham's economic thought by Daisuke Arie

Morning tea

11.30-1.00

Session 2: Ricardo and Tooke (Chair: John Lodewijks)
How and why Ricardo went wrong by Frank Dunn
Tooke's approach to explaining prices by Matthew Smith

Lunch

2.15-4.00

Session 3: Economics and Welfare (Chair: Selwyn Cornish)
The poverty of money: Marx's insights relevant to ecological economists today by Anitra Nelson
Edge of darkness? Jevons' summary of 'The Economic Problem' by Michael White
Universalism, the scientific method, and the role of ethics: Clark, Wicksteed and neo-classical distribution theory by Paul Flatau

Afternoon tea

4.15-5.45

Session 4: Recovering Plagiarists (Chair: John Pullen)
Nicholson versus Ingram on a charge of plagiarism by Gregory Moore
William Edward Hearn on knowledge-based growth: Innovator or plagiarist of John Rae? by Masazumi Wakatabe

6.00-7.00

Drinks
Casual dinner arrangements

 Thursday 15 July

- 9.00-10.30 **Session 5: Keynote Session: Mathematics and Economics**
Burn the Mathematics (Tripos) by E. Roy Weintraub
 Discussants: Peter Groenewegen and Tony Endres
 Chair: John Lodewijks
- Morning tea
- 11.00-12.30 **Session 6: On the History of Cambridge Economics**
 (Chair: John Pullen)
Capital, saving, investment and hoarding: From Marshall to Keynes by Paul Dalziel
Economic management and the Keynesian revolution: The policy consequences of the disappearance of Say's law by Steven Kates
- Lunch
- 2.00-3.30 **Session 7: Keynes and the Europeans** (Chair: Ian Kerr)
Keynes on gambling by Rod O'Donnell
Schumpeter and Steindl on the dynamics of competition by Harry Bloch
- Afternoon tea
- 4.00-5.30 **Session 8: Post Keynesianism** (Chair: Tony Lawson)
On the prehistory of Post Keynesian economics, 1935-1945 by John King
The development of Kalecki's analysis of fiscal policy by Peter Kreisler and Joseph Halevi
- 7.00 **Conference Dinner**, Common Room, University House, ANU
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 Friday 16 July

- 9.00-10.00 **Business Meeting**
- Morning tea
- 10.30-12.30 **Session 9: Australian Economics in the Twentieth Century**
 (Chair: Grant Fleming)
... its a case of using any stick to beat a dog: R.I. Downing, the Keynesian revolution and reconstruction by Nicholas Brown
The emergence of H.C. Coombs as a public policy intellectual: 1927-44 by Tim Rowse
Revisiting Giblin : Australia's first Keynesian economist by Alex Milmow
Sir Leslie Melville: Keynesian or pragmatist by Selwyn Cornish
 Discussant: Heinz Arndt

Conference closes

Abstracts ordered alphabetically by first author

Utility and justice in Jeremy Bentham's economic thought

Daisuke Arie
Yokohama National University

There have been published certain amount of volumes of The Collected Works of Jeremy Bentham since 1970. New version of critically edited Bentham's economic writings, however, has not been appeared yet, after the publication of W. Stark's eminent but historically limited edition of Jeremy Bentham's Economic Writings in 1952-54. This paper will attempt to recover Bentham as one of the founders of modern economic science from a deep pond of so-called neglected economists through examining how the concept of utility and that of justice play essential roles in Bentham's economic thought from a methodological view point. It is clear from examination of Bentham's writings on the theory of utility, Poor Law, Panopticon, Deontology and etc. that his framework of economics is quite consistently formed. The utility theory, the felicific calculus, hedonistic psychology are well orderly premised to the practical monetary theory in *True Alarm*. Bentham portrays the society that is consisted of homogeneous individual as an atom who actually feels pain and pleasure, and is convinced that there exists the aggregated amount of happiness of individuals visibly measured by money. It is also clear that Bentham has only a concept of negative justice that guarantees each member's maximum free activity, unless he breaks the contract of economic transaction. This is a typical example of "negative justice" in European empirical legal tradition. This Bentham's view is well recognized when he defends usury or thinks of the relief of the poor as an expediency, not as right. These researches will emphasize how Bentham's economic thought has its own significance as a systematic theory. It, consequently, comes to rectify some recent biased interpretation that Bentham's economic thought is merely subordinate to his science of legislation.

Schumpeter and Steindl on the dynamics of competition

Harry Bloch
Curtin University of Technology

This paper compares and contrasts the contributions of Joseph Alois Schumpeter and Josef Steindl to the competitive paradigm. Both reject the static nature of traditional profit maximizing analysis and the analytical device of a representative firm. Instead they both opt for a dynamic framework in which there is a key role for innovation. Differences emerge in terms of the characteristics of individual firms that nurture the competitive struggle and are responsible for technical change. The maturation process of a capitalist economy, whereby a natural progression will involve an increase in concentration, as prescribed by Schumpeter and Steindl is also explored, as is criticism of their analyses. Finally the holistic approach to competitive modelling, a legacy of these two economists, is expounded and challenges for the future identified.

'... its a case of using any stick to beat a dog': R.I. Downing, the Keynesian revolution and reconstruction.

Nicholas Brown
Australian National University

The history of Australian economic thought is heavily punctuated by the 'seminal event' - Coombs' phrase - of the arrival of *The General Theory*. Around that point are arranged the themes which make sense of the theories, the values and the opportunities which shaped the contributions of Australian economists. R.I. Downing was among the most prominent of a new generation of Keynesians - his career being a perfect emblem of the 'crusade': Melbourne in the mid-1930s; then King's College, Cambridge; Canberra and reconstruction; the post-war sphere of international planning; and then back to Melbourne as Ritchie Professor of Economic Research in 1954, all ready to take on the 'heroic effort to establish a new economic order' balanced 'permanently on the brink of inflation' (his words). Yet in living through these experiences, Downing was as challenged by the changing pragmatics of government, social advocacy and political reform as he was impelled by theory or - as he preferred it - 'technique'. The central concern of this paper is with his experience of the problems defined by the intersection of Keynesianism and these contexts, rather than with solutions invoked. As such, I hope to make some contribution to exploring the interdependencies between economics, government and society in Australia in this formative period, from the 1930s through to the 1950s.

Capital, saving, investment and hoarding: From Marshall to Keynes

Paul Dalziel
University of Canterbury

This paper was commissioned by Professor James Akiakpor for an edited volume on Keynes and the Classics Reconsidered. It compares the way capital, investment, saving and hoarding are used in three works of Marshall (1920, 1923, 1926) and in two works by Keynes (1930 and 1936). It concludes that although Marshall and Keynes share these key words in their respective vocabularies, the different concepts represented by those words mean that they are speaking to modern audiences in two different languages. This has implications for current debates about national saving strategies.

How and why Ricardo went wrong

Frank Dunn

Ricardo aimed to be the perfect economist, yet make it fit a narrow materialist model of scientific method. He excluded human feeling and desires, regarded as unreal, and excluded interaction, the natural outcome of market multiplication and exchange. Those come together inescapably in demand and supply. Petty had tried to establish production and value on only labour and land, but was baffled how to relate those two without choice and evaluation. Both writers present labour as cause both of material and value production. To exclude land from cost Ricardo considered poorest land to be not paying rent, and presented all corn at the price of the poorest. That followed from perfect competition, and not the power of the poorest. He at no time considered or allowed the productivity of fertile lands. To exclude rent, he argued it is not productive, ignoring that land is. Later he presents capital (meaning equipment) as product of labour and also as producer from that same labour. He ignores that labour is a cost, and equipment produced by it could only be profitable if it *reduced* labour.

Universalism, the scientific method, and the role of ethics: Clark, Wicksteed and neo-classical distribution theory

Paul Flatau
Murdoch University

The development of neo-classical distribution theory is commonly viewed as a "second-generation" phenomenon. It is not until the 1890s that we see the publication of comprehensive marginalist-based statements of distribution theory. Three works stand out: Wicksteed's paper "The Coordination of the Laws of Distribution", Marshall's *Principles of Economics*, and Clark's *The Distribution of Wealth*. Of these authors, Clark stands out most strongly as a proponent of the view that rewards equate precisely to productivity: "Free competition tends to give to labor what labor creates, to capital what capital creates, and to entrepreneurs what the coordinating function creates" (Clark, 1908 p3). This paper considers the relationship between the distributional theories of Clark, Wicksteed, and Marshall. It considers the alternative treatments of the role of the economic actor, rationality, the adoption of a unified theory perspective and approaches to the disadvantage of labour.

Boisguillebert's theory of money, circular flow, effective demand and distribution of wealth

Peter Groenewegen
University of Sydney

Pierre le Pesant, Sieur de Boisguillebert (1645-1715) is well known, following Marx, as the co-founder of classical political economy, together with Sir William Petty, he providing the French side, as Petty did the British. With few exceptions, English-speaking economists have tended to overlook Boisguillebert's work, largely because it has not been translated and is written in rather difficult, late seventeenth century French. Being in the process of translating Boisguillebert's most important work, his *Dissertation on the Nature of Wealth* (1704) has reinforced a view already expressed elsewhere, that his monetary theory is interesting and important, something rarely appreciated except for some not very accessible specialist literature by Holtrop, Hecht and Faccarello. After a brief introduction, the paper discusses Boisguillebert's monetary theory with special reference to velocity of circulation (and its inverse, the propensity to hoard), the circular flow and effective demand, and the relevance thereto of the very unequal income/wealth distribution of Louis XIV's France.

Economic management and the Keynesian revolution: The policy consequences of the disappearance of Say's law

Steven Kates
Australian Chamber of Commerce and Industry
and the Australian National University

One of the most notable shifts in textbook theory directly attributable to the Keynesian Revolution is the absolute disappearance of statements denying the possibility of over-production or demand deficiency. Prior to the publication of the *General Theory*, virtually every discussion of the business cycle provided an explicit denial that recessions were caused by producing more than the economy was either capable of absorbing or its members were willing to buy. Explanations of recession along such lines were considered totally without proper foundation. It was, of course, the specific role of Say's Law to deny the possibility of over-production. Since the publication of the *General Theory*, whose expressed aim was to deny the validity of Say's Law, such statements have entirely disappeared. Instead, concerns that aggregate supply might outrun aggregate demand are now incorporated into the very fabric of macroeconomic theory. All

economists are taught that demand deficiency is a probable cause of recession and that demand stimulation is often a necessary counterweight to the forces of contraction. This shift in theory has had a profound effect on economic policy formation. This paper will look at the change in the nature of the theory of the cycle with the disappearance of Say's Law and discuss the effect its loss has had on the structure of economic policy.

On the prehistory of Post Keynesian economics, 1935-1945

John King
La Trobe University

I begin by outlining some alternative interpretations of the *General Theory*, contrasting the early formulations of the IS-LM model (whose history has been traced by William Darity and Warren Young) with Joan Robinson's 1935 *Essays* and Nicholas Kaldor's first Keynesian articles of 1938-40. I then discuss two pioneering teaching versions of the *General Theory*, Robinson's 1938 *Introduction to the Theory of Employment* and James Meade's 1936 *Introduction to Economic Analysis and Policy* which differ much less than one might have supposed from knowledge of their authors' subsequent positions. Keynes's published and unpublished reactions to these accounts of his work are summarised in the next section. I then examine the emergence of the "neoclassical synthesis" in the U.S. variant, as seen in the writings of Oscar Lange, Alvin Hansen and (especially) Franco Modigliani, before concluding with a brief discussion of the politics behind the varying interpretations of Keynes's "revolutionary book". This is a first draft of the first chapter of my projected book on the history of Post Keynesian economics. The second chapter will be devoted to Michal Kalecki, and for this reason Kalecki figures hardly at all in the present paper.

The development of Kalecki's analysis of fiscal policy

Peter Kreisler and Joseph Halevi
University of NSW and University of Sydney

Kalecki was one of the co-developers of the principle of effective demand. This was used by many economists, in the postwar period, to argue that government fiscal policy could be used to stimulate effective demand and fine tune the economy to reduce cyclical unemployment. Kalecki, however, was always dubious of this proposition. Initially, he argued that expansionary fiscal policy, in the form of budget deficits, could reduce unemployment but that to sustain this lower level of unemployment would require ever increasing deficits. Later, in his famous "Political aspects of full employment" Kalecki was much more skeptical of even this position. There he argued that full employment was incompatible with the institutions of capitalism, arguing that unless there was some institutional change, the system could not maintain adequate levels of employment for long periods. However, the performance of Western economies in the period from the end of the Second World War until the 1970s seemed to give the lie to this latter claim. The "golden age" of capitalism delivered steady growth with high levels of employment. Kalecki, in "Observations on the 'crucial reform'" a paper jointly written with Kowalik and published in Italian in 1970 attempted to explain this in terms of military expenditure. This contributed to effective demand without directly influencing production or productive capacity. In a sense, it acted like consumption expenditure. As a result, Kalecki argued that capitalism had survived, but at a high moral cost. Subsequent developments from the 1970s until today indicate that Kalecki's original insight as to the incompatibility of capitalism with the maintenance of full employment was fundamentally correct, and that the "golden age" was an aberration.

Revisiting Giblin : Australia's first Keynesian economist

Alex Millmow
Charles Sturt University

'Miner, boatman, teamster, sailor, cook, lumberjack, schoolmaster, fruitgrower, labour agitator, soldier, member of parliament, Government Statistician ...'

Giblin's *Who's Who* entry for 1937 is testament to his sense of adventure; Australia has never had a better role model of economist, a well rounded man, than Giblin. Like Keynes, Giblin never formally completed a degree in economics but rather drifted into the subject through a background in statistics and mathematics. Unlike Keynes however and true to his proletarian allegiances Giblin felt 'To be any good an economist ought to have been hungry in his youth' (cited in Hytten 1971). While all agree that Giblin was more than 'good' in his capacity as an economist some even hail him as the 'grand old man' of Australian economics. However his theoretical contribution, as distinct from his public influence, was slight. This paper focuses upon Giblin's relatively unsung papers which display a similar spirit of adventure in promoting a more expansionary economic policy during the deflation-ridden mid thirties. With that in mind this paper attempts to present Giblin as Australia's first truly Keynesian economist – an honour usually accorded E.R. Walker (Cain 1988). This paper will show that it was Giblin, at Keynes urging, who was the first to break rank with economists over the economic policy settings in early 1932 even if he would continue to stoutly defend the measures taken in the Premiers Plan. As an ardent expansionist who felt unemployment a greater concern than the external account, Giblin involved himself in the intramural policy-making process pushing for a greater public stimulus until full employment was reached in 1938. It was a tad ironic then that when the *General Theory* duly arrived Giblin, like Melville, entertained reservations about its sweep. There are gaps in the telling of Giblin's involvement in public affairs especially after 1932 and this paper which traces the evolution of his economic thought through that monumental decade.

Nicholson versus Ingram on a charge of plagiarism

Greg Moore
Australian Catholic University

In 1885 John Kells Ingram published a lengthy article on the history of political economy in the *Encyclopaedia Britannica*, and in 1888 he republished this same article, with only minor changes, as a book entitled *The History of Political Economy*. Ingram unashamedly interpreted the historical development of political economy from a Comtean variant of the historicist perspective, and, for this reason, these publications became extremely important for the methodological debate, known as the English *Methodenstreit*, then raging between the orthodox and historical economists. Although the reviews of both versions of this history were predominantly positive, two damning assessments did appear in *The Scotsman*: one in 1885 in response to the *Encyclopaedia Britannica* article, and another in 1888 in response to the book. It is apparent from an entry made in the diary of John Neville Keynes that the first of these anonymous reviews was written by Joseph Shield Nicholson, and, since the reviews are strikingly similar in tone and substance, and since Nicholson wrote other articles for *The Scotsman*, it is safe to assume that the second review was also written by Nicholson. The substance of Nicholson's critique can be reduced to two main accusations: first, Ingram was not qualified to write a history of political economy and, second, that Ingram had brazenly plagiarised passages drawn from German histories of political economy. No modern historian has made reference to the latter of these allegations. In this paper I redress this oversight by reviewing the charges of plagiarism levelled by Nicholson against Ingram and by considering the way in which a range of contemporary scholars reacted to Nicholson's claims.

**The poverty of money:
Marxian insights on the paradigm of ecological economists**

Anitra Nelson
RMIT University

At present the vision of ecological economists is their strongest point of union. Very real disputes exist over the means to that ends. Recent controversy surrounding the monetary evaluation of the globe's environmental services to human economies by Costanza et al (*Ecological Economics*, 1998) highlight the variety of views on the utility of pricing components of ecological systems. A complementary question on the role of the market in achieving ecologically sustainable and socially just societies is also central. The context for these theoretical arguments about means is provided by more concrete prescriptions for social transformation that help define the practical issues at stake.

Keynes on gambling

Rod O'Donnell
Macquarie University

This paper outlines and discusses Keynes's views on gambling. Its main focus is the interesting gambling policy he advanced to the British Royal Commission on Lotteries and Betting in 1932. This proposed a rational regime aimed at maximising the benefits, and minimising the costs, of gambling. Relevant remarks on gambling in his philosophical and economic writings are also discussed. The topic has modern relevance because of concerns about recent state government-induced expansions of gambling in countries with federal political structures such as Australia and the U.S.A.

The emergence of H.C. Coombs as a public policy intellectual: 1927-1944

Tim Rowse

H.C. Coombs became an economist (and an economist of influence) in the years 1927-39, that is, from his undergraduate training under E.O.G. Shann to his inclusion in the F&E Committee. This paper will narrate that development with a focus on Coomb's emergent sense of the public purposes of economics and of his own intellectual responsibilities. To depict the context of this biographical passage, I will highlight the problems of finding policy affinities between the Labour Movement (whose "popular economics" in the 1930s was Douglas Social Credit) and "respectable" economic opinion. For that affinity to become possible there had to be changes in economic thought in the leadership of the Labour Movement, and in the goals of the Commonwealth government. The achievement of that affinity is exemplified by the involvement of a network of senior economists, including Coombs, in advising the Curtin government on two policy issues, from 1942 to 1948: Australia's response to Article 7 of the Mutual Aid Agreement and the macroeconomics of domestic full employment. The emphasis of this paper will be less to retell the story of those policy debates, and more to describe Coomb's conception of himself as a public intellectual.

Tooke's approach to explaining prices

Matthew Smith

This paper is concerned with examining the method of analysis and theoretical approach Tooke employed in his empirical study of English prices. The paper shows that Tooke adopted the 'long period method' formulated by Adam Smith to analyse a capitalist society. It also shows that like most nineteenth-century classical economists Tooke adopted a version of Adam Smith's 'adding-up' approach to normal prices and distribution. However, Tooke adopted Ricardo's theory of rent so that in his version normal price resolves itself into wages and profits. It is shown that although Tooke's approach to prices and distribution was not theoretically consistent, his explanation of changes in the distribution of income was in fact more plausible than that of Ricardo. The paper also indicates that from the standpoint of his 'adding-up' approach to prices and distribution, Tooke's monetary thought is much more coherent than has been appreciated in the history of economic thought literature. Lastly, the paper shows that based on the classical's long-period method of analysis, Tooke explained short-run fluctuations in prices by reference to factors which disrupted the adjustment of supply to the 'effectual' demand for commodities.

William Edward Hearn on knowledge-based growth: Innovator, or plagiarist of John Rae?

Masazumi Wakatabe
Waseda University

There has been a certain doubt as to the originality of the economics of William Edward Hearn (1826-1888), sometimes dubbed as the first Australian economist; in particular he has been alleged to plagiarize John Rae (1796-1872), Scottish-born Canadian economist. The purpose of this paper is to examine the relationship between both economists, concentrating on the growth aspect of their economics. The paper will argue that alleged plagiarism on Hearn's side is rather misleading: Hearn indeed learnt from Rae much, but selectively. In its content both economists emphasized the important role of knowledge—invention, innovation, skill-formation and technology transfer—in the growth process, though differing on the underlying knowledge-generation process. Furthermore, they markedly differed on the role of government: Hearn was an adamant free-trader, while Rae presented one of the best protectionist cases, the so-called 'infant industry argument'. The paper is organized as follows. Section I presents the issue, summarizing the relevant literature. In section II, Hearn's knowledge-based growth theory is examined in comparison with Rae's. Section III takes up the issue of the role of government in the growth process, another difference between two economists. Section IV concludes the paper.