A SUMMARY RECORD OF THE PROCEEDINGS OF THE THIRD HETSA CONFERENCE

As a preamble to the first session of the Conference, the Chairman of that session and Convenor of the Conference, Mr. Michael Schneider, said it gave him great pleasure to declare the academic part of the Conference open, following the Official Opening by the Vice-Chancellor at the Reception held the previous evening. He welcomed all participants to the Conference, adding a special welcome to those who had had to travel further than most, namely Sam Hollander from Canada, John King from England, and Tony Endres and Robert Scoday from New Zealand.

SESSION 1

Tony Aspromourgos (Sydney): Political Economy and the Social Division of Labour: the Economics of Sir William Petty.

In introducing his paper, Tony Aspromourgos began by saying that essentially his paper endorsed Marx's view that Petty was the founder of political economy. Specifically, Petty's analysis in his Treatise on Taxes and Contributions formulated a concept of surplus, and applied it in three distinct models. The concept was used, not only in the Treatise but also in Petty's later works, to distinguish between necessary and total labour, or alternatively between necessary consumption and total output, with the object of analysing rent, taxation and price. It was used in particular in The Political Economy of Ireland and Political Arithmetick, which were essentially empirical in intent, and had as their purpose a rather grand scheme of social reform, which Petty would have liked to have been able to implement personally, but instead set out in his writings. Central to this scheme is the division of the work force between necessary and total labour, the difference between the two being surplus labour. A secondary element is Petty's view that some social classes, such as the clergy and the state-financed class of retainers, are parasitic. In his model dealing with the question of taxation Petty made it clear that he believed all classes, useful or otherwise, depend on the agricultural surplus that is produced, and the normative question of how surplus labour should be used is a secondary one. In later classical writings the use to which surplus labour is put depends heavily on capital accumulation, but this concept was not available to Petty, because his economics was the economics of a pre-capitalist economy, though with a distinctly capitalist approach. This also seems to be the view of Marx, who believed that classical economics begins with Petty, but that classical economics geared to a capitalist economy begins with Quesnay, classical economics predating the capitalist economy. In consequence Petty's economics includes some rather odd-looking theories, such as the idea of

surplus labour being used for export production with a view to the accumulation of gold and silver, a classical model thus being geared to a mercantilist goal. Petty is however very ambivalent on the accumulation of gold and silver, and on one occasion went so far as to say that an economy may have too much gold and silver. Turning to political arithmetick, a term which Petty invented at least ten years before his own empirical investigations began, it seems that Petty meant by this a method of arriving at well-defined empirical knowledge about key categories relevant to the formation of policy with respect to the social economy. This approach was subsequently adopted by Gregory King, with considerable success, and, much less successfully, by Charles Davenant. Davenant accused Petty of having manipulated his figures so as to ingratiate himself with the King, but this accusation, which has been repeated in the literature, seems incompatible with Petty's personality, though the absence of empirical information from Petty's time other than that supplied by Petty makes Davenant's claim difficult to test. With respect to political and methodological bases, Petty was a disciple of Hobbes, not Bacon, notwithstanding Petty's own acknowledgements of his debt to Bacon.

The discussant, Tony Endres, after expressing his appreciation of the vigorous, combative style of the paper, said it was unfortunate that Petty is commonly viewed as an erratic genius rather than being given his due as an originator of at least some of the elements of the surplus approach. Not too many historians of economic thought would take issue with the paper's argument that the classical surplus approach begins with Petty; Schumpeter, for example, explicitly recognised this in his shorthand sequence, Petty, Cantillon, Quesnay, and Adam Smith made a lot of use of his library copy of Petty's Treatise. The paper's other main argument, that Petty systematically employed surplus analysis, was however more debatable, a question to which he would return after examining a few matters of detail. He agreed that Petty was a more abstract thinker than many of his contemporaries who wrote on economic subjects, but not more so than Hobbes, to whose work there were many economic aspects from which Petty may well have learnt. He agreed also that political arithmetick was not merely a crude inductivist exercise, but disagreed with the paper's statement that 'nothing resembling statistical method is employed by Petty', as Petty resorted to simple methods of enumeration, to taking proportions, and to using averages, all of which for the seventeenth century were advanced techniques. He was also not wholly convinced that Petty's applications of political arithmetick were as systematic as the paper implied; on his reading, they were more ad hoc and incomplete. Petty was not fully conscious of the difficulties involved in moving back and forth from theoretical generalisations to numerical data, his boldness often leading to hasty and erroneous conclusions. On the more

substantive issue of the exposition of Petty's writings in the form of the three distinct models set out in the paper, he suspected that the paper erred even more in the direction of generosity than earlier commentators had in being ungenerous in failing to to recognise the the analytic element in Petty. How much was Petty selfconsciously systematising the surplus approach, and how much does the selective application of current terminology to his writings do the systematising for him? For example, while the paper states in one place that while the magnitude of the physical surpluses is dependent on relative prices, 'Petty did not tackle the problem that this agricultural surplus depends upon exchange relations with other sectors', elsewhere the terminology in interpreting Petty's writings suggests that he fully understood the relative price problem. While there does seem to be in Petty's writings an underlying unity of purpose, this does not imply an underlying unity of approach. Overall, while he believed that the paper showed fruitful connections and parallels between Petty's writings and surplus analysis, he was uneasy about the idea that this also shows that Petty systematically employed surplus analysis. Wouldn't systematisation mean that Petty had grasped a coherent mode of analysis, and that he developed a toolbox of constructs and procedures, including a body of mutually consistent tests of hypotheses?

In reply, Tony Aspromourgos suggested that the centrality of labour in Hobbes' writings on economics may have been an important influence on Petty. But this was not true of population growth, which while seen by Hobbes as possibly coming up against natural barriers, was strongly advocated by Petty, who (perhaps influenced by the example of Holland) seemed to favour population density and strongly opposed colonisation. He also sided with Hicks, as against Schumpeter, in regarding the description of Petty as the first econometrician as a gross inflation of Petty's achievements, though after an exchange with Tony Endres he suggested that perhaps what they were really arguing about was the meaning of the term 'econometrics', and Julie Irving suggested that what Petty employed might be better termed 'statistical techniques', which was perhaps what Schumpeter meant in his 1933 article. Robert Dixon suggested that while statistical analysis clearly has two elements, namely an attempt to make inferences from sample data of a population and an attempt to take into account random data or disturbances, econometrics is sometimes narrowly defined as taking into account in particular stochastic disturbance, but sometimes very widely defined, as was apparently the case when the Econometrics Society was first founded. Tony Aspromourgos also responded to Tony Endres' comment on the role that the theory of price plays in the surplus approach, saying that what he meant to imply was that when Petty wrote that exchange value enters into the determination of natural rent, he did not regard it as

significant, even though it is in fact a crucial problem. Petty was simply uninterested in market price fluctuations, which were the concern of businessmen, whose job it was to have good foresight. What he wanted was an economics based on hard objective facts, and subjective elements didn't suit. For Petty, who saw economics as part of politics, politics was about two 'objective' matters only, namely peace and plenty.

In the general discussion, Sam Hollander referred to what he saw as a totally false perspective on classical economics at the centre of the paper, a perspective which he saw as more characteristic of mercantilism, with its emphasis on a subsistence or necessary wage maintained by a long run labour supply stimulated by the state, and a residual or surplus. Tony Aspromourgos responded by referring to passages in Petty's writings in which a fall in corn prices was seen as unfortunately resulting in labourers working less, adding that Petty was nonetheless aware of changes over time in what was perceived as a necessary wage. It was now recognised that such an awareness creates a problem, in that if a necessary wage is to be historically rather than physiologically determined, the wage must remain above its previous necessary level for some time if the necessary wage is to increase. What was important for Petty's thought, however, was the idea of a wage or necessary consumption which could be taken as given at any one time. Barry Gordon suggested that Petty may have been influenced by continental thinkers, for example those referred to by the paper as writing in the vacuous quasi-Aristotelian tradition of the Schoolmen, adding that he had found in that tradition an early seventeenth century writer of the Salamanca school who seemed to have anticipated Petty's approach to labour. Tony Aspromourgos replied that he was far from suggesting that Petty's ideas had no intellectual sources, but when he added that Petty was a fairly standard progressive, if a precocious one, Sam Hollander intervened to assert that this was not true of Petty's attitude toward the working class, since unlike Adam Smith or Ricardo for example he did not favour treating wages as part of national income, which like the typical mercantilist he saw as a surplus. Tony Aspromourgos responded by saying that he regarded the concept of a working class as inappropriate in the conditions of seventeenth century England, since labourers at that time were not regarded as independent agents, a view which Petty shared, which led Sam Hollander to question again the application to Petty of the label 'progressive'. Mac Boot drew attention to economic trends characteristic of the seventeenth century, including those of the slow growth of output and rapid growth of population at the beginning of the century, and of the rapid growth of output and slow growth of population by the end of the century; Tony Aspromourgos replied he was unaware of any specific economic events which were influential in the shaping of Petty's thought, though there was such a possibility. John King questioned whether seventeenth century Britain should be described

not as pre-capitalist but as a pre-industrial-capital, or merchant-capital economy, though he was unsure of the latter concept because of the uncertain role in it of wage labour, to which Tony Aspromourgos replied that if capital existed in Petty's time he didn't see it, adding that the word 'profits' occurs only a couple of times in Petty's writings, and then only in unpublished papers. John Reeves asked why Petty, rather than other embryonic classicals such as Locke or North, was regarded by Marx as the foundation father of classical political economy. Tony Aspromourgos said that in his view Petty should be so regarded because he had a concept of surplus and that concept played an operational role, and that he could only guess that this was also Marx's view. Jim Watkins suggested that Petty should be regarded not as the founder, but as one of a series of founders of classical political economy.

SESSION 2 (Joint Session on Malthus and Cazenove)

John Pullen (New England): Correspondence between Malthus and His Parents.

John Pullen began by saying that his paper related to 44 letters written during the years 1783 to 1796, when Malthus was aged 17 to 30, letters which had last been referred to by Bonar in 1924, and then only in passing. Enquiries on his part had tracked down Bonar's typescripts of the manuscript letters at the University of Illinois, where they had lain apparently untouched since 1956. Although these letters do not disclose anything new relating to the substantive issues in Malthus' economics, they are interesting because they reveal certain previously unrecognised aspects of his character and suggest things which might be useful in explaining the directions his economics and demography subsequently took. The letters include reference to Malthus' interest in the somewhat spicy or bawdy theatre of the time, to a mysterious 'affair in town' which involved his father in substantial expense on Malthus' behalf, and to a combination in Malthus' character of aggressive and affectionate elements (suggesting that in his own character Malthus followed his precept of the doctrine of proportions). Aspects of the letters more related to Malthus' economics include a reference by Malthus to his 'not being an algebraist', his preference being for geometry, which may help explain the absence of algebra from his economic writings in spite of the fact that his concept of a just mean in all the variables determining economic aggregates lends itself to treatment by calculus. It is also clear that he was of an empirical turn of mind, collecting plants on his walks and recording temperatures, and that he read history books for amusement, facts which substantiate the view of him as an early historical economist in England. The letters show also that there was a

puritanical element in his character, namely in his work ethic. Finally, the fact that these transcripts have come to light is encouraging, raising the possibility that the originals may have survived as well, and in fact one, a letter from Malthus to his bookseller, had already come to light as a result of this paper, and has been donated to the University of New England.

Barry Gordon (Newcastle): John Cazenove (1788-1879): Critic of Ricardo, Friend and Editor of Malthus.

Barry Gordon began by indicating that his interest in John Cazenove had been initiated by a statement in John Louis Mallet's diary which referred to Ricardo and Mill (in the Political Economy Club) as mostly leading on one side and Malthus and Cazenove on the other. A subsequent follow-up led to the publication of a Cazenove bibliography, and joint research with John Pullen pointed to the identification of Cazenove as the the most probable anonymous editor of the posthumous second edition of Malthus' Principles of Political Economy. The views of the obscure Cazenove now appear to have made a greater impression on the literature of classical political economy than that obscurity would suggest, and the paper includes both some biographical details and some samples of his thought. Born in 1788, he worked in his father's firm in the City of London, where most of Ricardo's meaningful opposition came from, and in 1821 was proposed by Malthus as a member of the Political Economy Club, the two probably having come together through the anonymous publication by Cazenove of what was no doubt his first writing in political economy, A Reply to Mr. Say's Letters to Mr. Malthus. Shortly after his introduction to the Club Cazenove published his most ambitious work, Considerations of Accumulation of Capital and its Effects on Exchangeable Value (1822). After Malthus' death he applied for Malthus' position at the East India College (the Reverend Richard Jones, a friend of Cazenove, got the job). The bibliography includes ten works by Cazenove on political economy. An interesting example of his thought is to be found in the essay of 1822, where Cazenove makes an attempt at a statement of the conditions for steady growth of the British economy, among which he included the basis of a delicate balance between saving and expenditure of income. This was in response to the apparent failure of the Ricardo group to explain why the British economy had continued to languish after the end of the Napoleonic Wars. Cazenove's explanation was that while the first of effect of the large government outlays during the war was to check the accumulation of capital, yet these outlays increased the proportion of demand to supply, and raising the rate of profit, they gave that powerful and decided encouragement to reproduction which showed itself in the continuingly increasing value of the whole produce, and the consequently increasing demand for labour. In Cazenove's view such a stimulus rarely

compensates for the revulsion it afterwards occasions, and the unduly raised rate of profit during the war had therefore been followed by a depressed rate of profit, which reflected savings and investment being emphasised to the detriment of consumption expenditure. In this connection Cazenove tried to develop a notion of a natural rate of profit below which the real rate of profit had now fallen, resulting in poverty existing in the midst of plenty. The critical feature of Cazenove's analysis is his emphasis on the need to establish a balance between saving and consumption expenditure to ensure the continuity of steady growth, and although Cazenove admits that he cannot specify the point of balance, he offers the observation that it depends primarily on the quality of the nation's soil. Any nation's soil will yield some surplus, but the more fertile the soil, the greater the proportion of income which should be spent on manufactures, and the less fertile the soil, the greater the proportion which should be saved through capital creation. Another example of Cazenove's thought is his explanation in his Elementary Treatise of why profit is to be reckoned as part of the production cost of capitalist production, namely that there is a net productivity gain stemming from the use of capital which accounts for the existence of a continuing profit to the owners of capital, a gain which is measured per unit of output by the difference between the sacrifice a purchaser now makes to obtain the output and the sacrifice he would have been obliged to make if the capital had not been used in the productive processes concerned. Unfortunately Cazenove did not go as far down this road as Jevons and Böhm-Bawerk were later to go, in explaining why capital cheapens a commodity. It is worth noting that Marx in his Theories of Surplus Value interpreted Cazenove as saying that profit directly arises out of the exchange of capital for labour, a view which he assessed as being correct. Cazenove was also concerned with the problem of interest in relation to profit, and suggested that for monetary reasons the two might not always move together. Cazenove was also probably the author of some pretty high quality economic review articles in The British Critic, notably between September 1820 and May 1822, and clearly had close connections with leading members of the Church of England, whose contributors to political economy included Jones, Whewell and Lloyd.

In opening the discussion, Michael Schneider noted that while both papers relate in some respects to the ideas of Malthus, they deal with quite different aspects of his ideas, and would therefore be discussed consecutively. The heart of John Pullen's paper was to be found in his double comment that the early correspondence of Malthus does not add anything of a substantive nature to our knowledge of his later views on population and political economy, and that their interest lies rather in the insights they provide into his education and early life. The former seems to be basically true. However, while the paper hazards a guess that Malthus'

interest in political economy may have been sparked off by his attending at the age of seventeen Dr. Enfield's Lectures on Commerce, in the absence of other corroborating evidence it seems more likely that this interest came later and is a reflection of the development of Malthus' interest in practical affairs as he approached the age of thirty. And while Malthus' letters indicate a disinclination to use algebra, his use of arithmetic and geometric series is probably principally responsible for the theory of population being associated with his rather than an another name. With respect to Malthus' education and early life, while Malthus was probably mainly responsible for Carlyle referring to our discipline as 'the dismal science', on the evidence of the early letters Malthus obviously could not be described as a dismal person. John Pullen's 1969 HOPE article supporting the view that the editor of the second edition of Malthus' Principles was Cazenove provides a link with Barry Gordon's paper. This paper argues that it is not a point against that view to note that some of the editorial footnotes in the second edition were critical of the text, since there were also critical remarks in the Editor's Preface to the 1853 edition of Malthus' Definitions, which was certainly edited by Cazenove. This raises the question of the extent to which the ideas of Cazenove depart from those of his friend Malthus. The main two questions discussed by Cazenove which are taken up in Barry Gordon's paper are those of growth and Say's law, and profit and interest, and there does seem to be some connection between these two, in that in each case Cazenove defines his terms in such a way as to allow for disequilibrium arising out of inequality. In the first case the two terms are the real and natural rates of profit, the former depending on what are now commonly referred to as 'demand-side' factors and the latter on the conditions of production in the agricultural sector on the margin of cultivation ('supply-side' factors). It was this distinction which enabled Cazenove to reject Say's Law, on the ground that a lack of consumption demand for manufactured goods will cause the real rate of profit to fall below the natural rate of profit, the result being a transfer of capital from manufacturing to agriculture, depressing the rate of profit in agriculture also. Here Cazenove appears to have drawn on the arguments of William Spence in Britain Independent of Commerce, to have given sharper point to an argument which he basically shared with Malthus, and to have anticipated Marx's distinction between the generation and the realisation of surplus value. He might however have made his argument still clearer if he had also anticipated Marx's reproduction schema, setting out his arguments in symbols; for Cazenove differed from Malthus in that he was thinking in terms of what we now call a two-sector growth model, department I producing agricultural commodities serving as wage goods and department II producing manufactured goods, often referred to by Cazenove as superfluities. In the case of Cazenove's treatment of profit and interest, the two key terms are

the rate of return on real capital and the rate of return on money loans. In making this distinction Cazenove was anticipated by Henry Thornton, though Cazenove took it further in explicitly warning of the possibility of planned savings exceeding available investment opportunities, and hence was perhaps entitled to the praise given by Keynes to Malthus, who (Walter Eltis' views notwithstanding) did not so distinguish between saving and investment.

John Pullen responded by supporting Eltis' view that Malthus did not identify saving with investment, pointing out that Malthus' reference to saving not meaning 'mere hoarding' did not rule out some saving being hoarded, though adding that a difficulty with this question was that Malthus never actually used the word 'investment', which did not appear in main works in political economy until well into the eighteen-twenties. Malthus spoke frequently about 'redundant savings', by which he probably meant savings which could not subsequently find profitable investment. Barry Gordon followed this up by pointing out that in using the word 'accumulation', Malthus like most others of his time was using what has turned out to be a dangerous blanket term which runs together a number of processes, for which in 1853 he was taken to task by Cazenove, who was aware that saving and investment are two separate processes, an idea which goes back to an article in the Westminster Review in the eighteen-thirties. On the real rate of profit, Cazenove saw the sale of commodities on which this depended as depending in turn on supply as well as demand, but it would be extremely useful in showing what is good and bad in Cazenove's argument to put it out in symbolic form. Michael Schneider commented that this would need to reflect an asymmetry in Cazenove's argument, between his lack of concern where there is excessive consumption and his view that deficient consumption has all sorts of bad effects, another respect in which he differed from Malthus.

General discussion included a question as to whether there is any evidence that Keynes knew about Cazenove, to which Barry Gordon replied in the negative. Jim Watkins asked why Cazenove had remained so obscure, to which Barry Gordon replied that most of his publications were anonymous, and Jim Watkins then asked as to how his authorship had been established, to which Barry Gordon replied that factors involved included Herbert Forwell's identification of two of the works as by Cazenove, and the fact that it was obvious that all of the works listed in the bibliography had been written by the same person. In response to a question as to why most of Cazenove's works were published anonymously, Barry Gordon suggested that it might have been seen as ungentlemanly to criticise fellow-members of the Political Economy Club outside the walls of the Club, and that it could have been bad for business for a businessman to get a reputation as

belonging to the sect of political economists. Those works published by Cazenove under his own name were uncontroversial and probably appeared after his retirement from business. Sam Hollander asked if there were any parallel with Blake's work on the post-Napoleonic depression, particularly the argument that the depression was caused by the cessation of government expenditure. Barry Gordon said his impression was that while Blake asked the same questions as Cazenove, there was not the same attempt to build an alternate model. Sam Hollander also questioned the statement that virtually all the British writers took profit, like interest, as a phenomenon whose existence required no real explanation, since he had the impression that Ricardo at least took an abstinence approach towards interest, and Senior represented this approach as well known; and the notion of a supply price of capital raises the whole question of a positive interest rate even in a stationary state. He also found it surprising that Marx was so favourably disposed towards Cazenove if his analysis was indeed carried further by Jevons and Böhm-Bawerk. Jim Watkins asked in what respect Marx actually refers to Cazenove. Barry Gordon replied that Marx referred to various statements of Cazenove about profit in the Outlines of Political Economy. On the question of abstinence, it had always struck him that Senior's exposition of the abstinence theory has a very strong moralistic tone, or ideological feeling. Sam Hollander pointed out that the divergence of the rate of interest from the rate of profit was not original with Cazenove, as Ricardo for example allows for a short-run divergence of the money interest rate from the long-term natural rate of profit. Barry Gordon replied that Cazenove had got to view interest as a monetary phenomenon much more than Ricardo. Juli Irving-Lessmann suggested that since the Theories of Surplus Value was written before the time of Böhm-Bawerk there was no reason why Marx should have connected Cazenove with him. Sam Hollander said that nonetheless if the substantive content of Cazenove's theory lends itself to interpretation in a Jevonian or Böhm-Bawerkian way, one would have thought Marx would have been displeased by it. Barry Gordon suggested that what Cazenove was saying was that profit is not just a surplus, but there is a basis for it, because people are getting the goods cheaper in the presence of capital, and are therefore better off even though profit is being paid. Cazenove thus had a productivity rather than a surplus theory of capital. However, this view was put forward in Cazenove's Elementary Treatise, which it seems Marx did not know. John King suggested there was a danger of making too much of Marx on Cazenove, as Marx probably did not more than note that in a pamphlet by Cazenove, among those of a hundred others, there was an interesting sentence or paragraph, to which Barry Gordon responded that there were as many as about fifteen references to Cazenove by Marx. In response to Mac Boot's question as to whether any of Cazenove's books are available in Australia, Barry Gordon

said that they should be included in the microfilm of the Goldsmith/Kress libraries. Jim Watkins asked what volume of material was included in the early correspondence of Malthus, to which John Pullen replied that the whole typescript is four hundred pages.

SESSION 3

Ted Sieper (Australian National University): Smith, Ricardo, and the Bounty on Corn

Ted Sieper began by saying that his interest in the subject of his paper was sparked off by his finding Adam Smith's predictions as to the effects of the bounty on corn somewhat puzzling, at least as far as the long run was concerned. This led him to try to jot down a reasonable representation of Smith's assumptions, and to analyse the resulting model more formally. To his surprise, the model generated all of Smith's rather paradoxical-sounding predictions. He then read the Journal of Economic Literature article by Sam Hollander in which it was argued that Samuelson's canonical classical model, while certainly a distinctively Ricardian model, was not a Smithian one, because Smith did not properly comprehend diminishing returns. Hollander argued this mainly on the ground that various parts of Smith's analysis, including his recommendations with respect to the bounty on corn, were inconsistent with the assumption of diminishing returns. Ted Sieper said his paper assumes instead that Smith understood diminishing returns, and argues by means of the model already mentioned that Smith's corn bounty recommendations can be derived on this basis, as can also his other recommendations on taxes. He commented, as a matter of interest, that subsequent use of this model had shown that trade will take place according to absolute rather than comparative advantage, and had enabled sense to be made of Smith's vent-for-surplus doctrine. Returning to the main theme, he argued that the logic behind Smith's corn bounty analysis was totally misunderstood by Ricardo, apparently because Ricardo did not understand how the monetary process of the balance of payments would work in the case of a country like England with a bounty on corn. The simplest version of the Smithian model in the paper assumes a subsistence wage, an exogenous minimum rate of profit, diminishing returns in agriculture, constant returns in manufacturing, some kind of time-phased production structure (bringing profit into the picture), production of two goods (corn and manufactures) and consumption of three goods (corn, manufactures and luxury imports). It also assumes that land is specific to the production of corn, that labour lives by corn alone, and that the pattern of trade is such that England is forced to export corn, importing luxuries not produced at home, with goods produced at home being non-traded. The argument of the

paper then runs as follows. Smith breaks his corn bounty analysis into two parts which correspond broadly to his distinction earlier in the Wealth of Nations between the very short run and the very long run. In the very short run a bounty will raise the domestic price for both producers and consumers above the world price. By assumption the only adjustment will be on the margin of demand, with higher exports and lower domestic consumption. The result will be an implicit consumption tax, and a (smaller) implicit production subsidy. In the very longest run, the bounty will raise the price of corn in roughly the same proportion, money wages will rise proportionately to cover the rise in the domestic price of corn, that in turn will raise the price of home manufactures in the same proportion, and the gross output of corn will remain unchanged, so that so far from promoting the expansion of agriculture the bounty on corn will contract industry and the population required to sustain it, but it will benefit landlords, though only to the extent that they are consumers of imports. The long run general equilibrium position, and therefore the size of the economy, will depend on the tastes of landlords and capitalists, a conclusion which is illustrated diagrammatically in the paper. A bounty on corn will raise the money prices of both corn and home manufactures, so that even with their increased money rent landlords will not be able to buy any more of these goods than before, but the bounty will not affect the price of imported luxuries, so that landlords will be able to buy more of them than before, provided the bounty is not financed by taxes levied on rent. The simple model used so far can be generalised in a number of ways, to cover the production of a number of manufactured goods, the use of machinery in agriculture, and the inclusion of some home manufactures in the subsistence wage. Crucial assumptions which have to be retained if all the Smith's conclusions are to follow, however, are that land is specific to the production of corn, and that imports are truly final goods, consumed only by landlords and capitalists.

In opening the discussion, Sam Hollander commented that Smith would have been a truly amazing individual if he had been able to get the specific results attributed to him without the use of a single diagram or algebraic letter. More specifically, in his view the subsistence wage, diminishing returns model of growth is foreign to Smith. He accepted that Smith recognised the role of diminishing returns in the context of the profit rate trend, and that Smith defined the subsistence wage as that commodity wage at which population growth ceases. But the central Smithian system, on which the policy recommendations relating to the corn bounty were made, does not turn on those features. Certainly, the long run horizontal labour suppply curve in the diagram is totally out of character, for the subsistence wage is attained in the stationary state alone, whereas what stands out in Smith's discussion of the bounty is his concern with a growing economy,

where wages are above the subsistence level. Moreover, Smith nowhere discusses the real increase in corn prices which must surely accompany diminishing returns, but on the contrary categorically denies the operation of such a trend, allowing only for an increasing corn/manufactured goods price ratio due to increasing returns in manufacturing. In fact, Smith had every opportunity to react to Anderson's version of diminishing returns, but did not do so. Nor did Smith employ a single-use-of-land argument, which is Ricardian, and for him since money wage rate increases are passed on in the prices of all commodities, increased wages come out of rents, which would not make too much sense in a diminishing returns model, where there should be no rent at the margin. Finally, the paper raised one of the most important issues in intellectual history generally, namely how much one can work backwards from logical consequences seemingly flowing from an argument to attribute to the author that particular model.

In response, Ted Sieper said that he interpreted Smith as basing his formal analysis on comparisons between stationary states, but as trying in his references to growth to carry the analysis further than the formal analysis allowed, as he did also in allowing for multiple uses of land. He added, however, that there is no question in Smith of there being any change in the real price (to the consumer) of corn between stationary states as long as the subsistence wage (including manufactures at a given corn/manufactures price ratio) is fixed, so the absence of change in the real price of corn does not at all imply that Smith did not understand diminishing returns. Further, Smith nowhere argues that the bounty would lower rents, and he does make some concessions to Anderson, in stating that nature has stamped upon corn a real value that no human influence can change. Another example of the similarity between Smith's ideas and the model is to be found in taxes on profits, where Smith's position is that the effect will be on the gross of tax return, particularly in the case of an open economy; in the model, correspondingly, a tax on profits in agriculture will not affect relative prices, whereas a tax on profits in manufacturing will affect relative prices. Smith was however inconsistent in not using the model in his analysis of tariffs, the reason no doubt being because it would have predicted that imposing a tariff would have expanded the economy, thereby damaging his case against mercantilism. The story that Smith here buried was later dug up by the Brigden Report.

Jim Watkins asked if diminishing returns plays no role in the Wealth of Nations because there is no change in agricultural production. Ted Sieper replied that this was true in the bounty and other long run analyses, though not in the discussion of some forms of taxation in Book V where the margin of agriculture is changing. He added that a further implication of the model

is that each manufactured good will be produced in that country where its corn cost of production is absolutely the lowest.

SESSION 4 (Working Papers)

Paul Augimeri (Catholic College of Education Sydney): Antonio Genovesi (1713-1769) : the First Professor of Political Economy in Europe

Paul Augimeri began by saying that Genovese had been rather neglected, and there were good reasons why, one being the absence of any translation into English of his writings. One explanation of this absence of translation was that Genovese's main work, his Lezioni di Commercio, appeared roughly at the time that Stuart's Lectures in Political Economy was published, and would automatically have been overshadowed by a book that bore for the first time in the English language the term 'political economy', and the appearance a very short while later of Adam Smith's work would have put paid to any real English interest in Genovese. However, contrary to Venturi's assertion that no trace of the Lezioni has been found in England, Marx had access, obviously in the British Museum, to a copy of the Custodi collection of classical Italian writings in political economy, which included the Lezioni, and cited Genovese. Many commentators have described Genovese's work as eclectic. He was greatly influenced by Intieri, the source of inspiration of the enlightenment of Southern Italy in the second half of the eighteenth century; Intieri was responsible for the establishment at the University of Naples of a Chair of Commerce and Mechanics, later seen as the foundation Chair of Political Economy in Europe, and chose Genovese ahead of Galiani for that Chair. In his Discorso of 1753-4 Genovese laid down what was to become the golden rule for the rest of his life, namely that the sciences, letters, and thinking must have a practical, useful dimension. Genovese gave his inaugural lecture on 5 November, 1754, and the lectures he subsequently gave while holder of the Chair reflect an attempt to teach economics in the applied sense, with particular stress on agriculture. One of his concerns was that some two thirds of the land that was needed for essential agricultural development was in the hands of the Church and the nobility. His Lezioni, which was essentially a collection of monographs loosely strung together, included the idea that population ranks above investment as a main vehicle for the achievement of economic progress, with agriculture and a strong work ethic also being stressed. He seems not to have been influenced by the Physiocrats, and although he listened to the mercantilist tune there was more to Genovesi than just mercantilism.

Prue Kerr (Western Australia): Adam Smith on Growth - Again

Prue Kerr began by referring to the three purposes of her paper, namely to criticise the usual assumption that the rest of Adam Smith's arguments in the Wealth of Nations should be arranged around some or other particular interpretation of his theory of value, to establish some structure to Smith's theory of growth, and to demonstrate the scope of technological change within this theory. The paper draws not just on the more 'analytic' sections of the Wealth of Nations to be found in the early chapters of Books I and II, but on all of that work, and on Smith's writings prior to the Wealth of Nations, and emphasises the importance of understanding Smith's style, his method of argument, and the contemporary intellectual tradition. There are two main propositions in Smith's growth theory, namely that increasing growth depends on extending the division of labour, and that the division of labour depends on the extent of the market, these roughly corresponding to Quesnay's distinction between production and circulation, but being linked by the common concept of division of labour. In his early writings Smith found a market solution to the inequitable distribution of wealth and of power in commercial society, by arguing that claims to property could be met by some legal system guaranteeing security, and that the claims of the needy could be met by growth, and the Wealth of Nations explained how best to promote growth. Following his version of the Newtonian system, Smith looked for a small number of basic principles and familiar ideas, from which he would predict future movements. In his critique of the physiocrats and the mercantilists, Smith criticised the concept of wealth used by the physiocrats by pointing to the role of labour in the production of wealth, and hence the importance of the particular form of technological change because of its effect on the division of labour, and criticised that used by the mercantilists by pointing to the importance of growing markets and the relationship between these and the division of labour. For Smith wealth is both a stock of capital and a flow of net product, and sometimes a flow of gross product, production of a surplus being naturally associated with the accumulation of wealth. The distinction between the flow of produce and the accumulation of net product used productively is less relevant to Smith than his distinction between the workplace on the one hand and the market-place on the other. In the Wealth of Nations wealth is first discussed in the sphere of the production or labour process, where the size of the surplus is augmented by the technological change, and it is then discussed in the sphere of circulation, where further divisions of labour require markets to expand. Some of the ideas on philosophy relevant to the Wealth of Nations are set out in Essay on the History of Astronomy, where Smith discusses the criteria for a good theory; the explanation had to be simple, and it had to be in terms with which its audience was acquainted, and the most effective means of meeting these criteria was by using an analogy. One example of the use of analogy in

the Wealth of Nations occurs in the description of the division of labour in a pin factory, where the individual manufacturer represents all productive activity, in all sectors. Another occurs in the description of the development of society in four stages, where the interdependency through history between agriculture, manufacture and commerce is shown to be an important element of the continuous growth of wealth, and the same interdependency between the three sectors is then extrapolated into commercial society and its growth. This input-output interdependency, reflecting the surpluses and demands of the different sectors, creates pressures which can transform social institutions in ways which open up new markets and provide new investment opportunities. These two analogies together confirm the structure of Smith's theory of the growth of wealth which is suggested by his discussion of wealth in the theories of the physiocrats and mercantilists. According to the natural balance of industry, the surplus will initially be greater in agriculture than in manufacture or commerce, and will be reinvested there, but when the development of agriculture has reached its limit the surplus moves into manufacture in response to the higher rate of profit there, and with the development of manufacture in turn comes the (marketing) need for the development of commerce, including ultimately foreign trade. However, if a country tries to encourage manufacturing before it has reached a certain stage in agricultural production, it will have to import raw materials at a very high transportation cost; only at a later stage, with further division of labour, will the cheapness of inputs from the raw materials sector enable it to compete successfully on the foreign market.

Tony Endres (Auckland): Dobb on Uncertainty: An Early Proponent of a Post Keynesian Motif?

Tony Endres introduced his paper by saying that he understood the term 'Post Keynesian' to include a heterogeneous group of contemporary economists comprising an uneasy alliance between Keynesian (but not neoclassical Keynesian) economists, Shakleian economists, and supporters of the applicability of classical surplus analysis to modern capitalism. Joan Robinson had commented that economists from Ricardo to Pigou ignored the obvious fact that expectations of the future are necessarily uncertain, and that it is from this point that Post Keynesian economics takes off. From this point too the work of the young Maurice Dobb takes off, starting with his Capitalist Enterprise and Social Progress (1925); Schumpeter went so far as to refer to the Knight-Dobb theory of enterprise under uncertainty, an implied kinship which no doubt neither Knight nor Dobb would be anxious to claim. Dobb and Knight agree on some points, including both endorsement of Cantillon's view that a major source of uncertainty is the fact that while

goods are presently bought at known prices they are sold at prices which can not be known in advance, and rejection of the assumptions of omniscience or of perfect actuarial knowledge as possible substitutes for uncertainty. The divergence between them arises in their consideration of the consequences of uncertainty at the macro level. While for Knight uncertainty is beneficent, in that it weeds out the less able entrepreneurs, for Dobb it can generate waves of sentiment at the micro level sufficient in some cases to be destabilising at the macro level. And by contrast with Lavington and Pigou, who incorporated uncertainty largely when discussing monetary problems, and then only as a friction, Dobb worked it into his central microeconomic theorems. In his Political Economy and Capitalism he argued that the individualist economy is rendered inherently unstable by uncertainty, with changing or disappointed expectations leading to macro fluctuations of considerable amplitude and duration, though he did not develop this analysis in the way that both Keynes and the Post Keynesians were to do. Dobb's wage theory, too, contained an important Post Keynesian theme, namely that deep-seated historical and socio-political influences in the labour market make prices in that market fundamentally different from prices in commodity markets. With respect to investment, Dobb did not think it was desirable that uncertainty should be borne by a particular class of people, for example entrepreneurs, and from 1940 he put great emphasis on the central planning of investment decisions.

In opening the discussion on the first two papers, Barry Gordon pointed out that both Genovese and Smith were writing in an Enlightenment context, both drew on the classical philosophers as well as the mercantilists, and both stressed the importance of agriculture and of education. There are also differences between the two, one being Genovese's utility theory of value, coming up through Aristotle and the Scholastics, contrasting with Adam Smith's labour approach, probably coming through the Protestant natural law philosophers. Another arises out of Smith's definition of political economy considered as a branch of the science of a statesman or legislator, quoted in both papers, which seems to apply more to Genovese than to Smith. In the paper on Smith, the relationship depicted between technological change and the division of labour worried him, as Smith treated the former as a sub-category of the latter, rather than the other way round; while the Wealth of Nations can be seen as depending on the principle of analogy, there are also other ways of seeing it as integrated; and Smith did not regard growth as necessary for justice in the system of natural liberty, which he saw as satisfying the canons of commutative, distributive, and (probably) general justice.

In commenting on the third paper, Robert Dixon suggested that there were a number of themes in it which needed to be disentangled. To start with, it was not clear whether the primary focus of the paper is Dobb on uncertainty, or the history of the treatment of uncertainty in economic analysis, or the foundations of Post Keynesian thought (pretending there is such a beast), though the first seems to be the case. A number of questions still needed to be addressed. Why was Dobb singled out? What was the link between Dobb's work on uncertainty and his interest in planning? Who influenced Dobb, and was there any influence by Dobb on the founders of Post Keynesian thought? He personally found it very difficult to accept that there is any homogeneous blob of Post Keynesian economics the foundations of which could be discerned. The Journal of Post Keynesian Economics includes an incredibly mixed bag of material, most of it of the crudest, mechanistic kind, lacking any reference to uncertainty. A lot of the material which one might otherwise call Post Keynesian might more usefully be called post-Kaleckian, an idea which is put forward by Malcolm Sawyer in a recent Thames Paper on post-Kaleckian economics. On uncertainty, it was not obvious to him that uncertainty per se is a worthwhile focus of attention, at least unless it is linked with the temporary abode of purchasing power whose value is fixed in nominal terms, namely money. Neither Dobb, nor even Keynes, studied uncertainty in the way that Shackle for example did. However, he was taken by a lot of Dobb's remarks on the role of the entrepreneur in attacking uncertainty.

In the general discussion, Juli Irving-Lessmann said the account of Genovese's Chair reminded her very much of the establishment of the Cameralist Chairs in Germany, which might equally well be claimed as the first in Political Economy. The questions were also raised as to whether Dobb was influenced by Marshall, and if so how did he break away from it, and to what extent did Keynes influence Dobb. In reply, Tony Endres said that Dobb only gradually threw off the shackles of Marshallian economics, with the increasing influence in his writings of Marxian economics, which Dobb taught himself in the 1920's. Philip Williams commented that apart from Knight, other American economists who wrote on uncertainty included J.M.Clark and Davenport, who wanted to explore what would happen to the distribution of income if the economy were in disequilibrium. John King pointed out that the Marshallian tradition divided into two incompatible parts, on the one hand Pigou's conversion of Marshall into calculus which abolishes uncertainty altogether, and at the other extreme George Richardson and Philip Andrews who place uncertainty at the heart of their analysis. Responding to an earlier reference to second-rate neoclassical economists, Ted Sieper said that if one is interested in uncertainty, he would have thought the starting point should be the influence of certainty and

confidently anticipated future events on the present workings of the economy and their transition up to those dates, and there the only progress made had been by neoclassical economists. Owen Covick asked with respect to Genovese who it was he was teaching, to which Paul Augimeri replied that although we know that Genovese's aim was to produce an educated gentleman who would fulfil an entrepreneurial function, we know very little about his pupils. In response to a question as to whether Smith used his static analysis to help him to get to his dynamic analysis, Prue Kerr said that the Smithian static model derived from the first few chapters of the Wealth of Nations was a misrepresentation of Smith's theory, which was essentially concerned with growth. Mac Boot said that he did not see how growth solves any problems of equity at all, to which Prue Kerr replied that rather than solving the problem of equity growth avoided it by making the poor better off in an absolute sense, and Michael White added that this view was supported in Hont and Ignatieff's Wealth and Virtue, cited in the paper. John Pullen drew attention to the close parallel between some of Dobb's statements on uncertainty and the writings of Keynes, who was perhaps more influenced by Dobb than he realised. Ted Sieper commented that he read Smith as saying that a particular society could reorganise its institutions so as to increase the incentive for capital accumulation and transiently produce an above-subsistence wage, but there is still through Smith a strong strand of ultimate Malthusian pessimism. Prue Kerr replied that she found it hard to accept that the Wealth of Nations is a pessimistic treatise.

SESSION 5 (Invited Lecture)

Sam Hollander (Toronto): The Relevance of J.S.Mill: Some Implications for Modern Economics

At this session Sam Hollander gave the Invited Lecture. After referring to some recent criticisms of the methodology of modern economics, and contrasting this methodology with that of John Stuart Mill, he discussed in his characteristically lucid, penetrating and witty way the empirical dimension in John Stuart Mill's Principles of Political Economy, with particular reference to Mill's analysis of price formation and his approach to marginal utility, and Mill's position regarding mathematical economics.

In the question period which followed, Michael Schneider referred to Krishna Bharadwaj's argument that Marshall's theory would have been better understood if it had been recognised that his starting point was not Ricardo but John Stuart Mill, and asked if Marshall's attitude towards the use of mathematics also was derived from Mill. Sam Hollander said that although he did not know of any such evidence, he believed Mill would have

approved of Marshall's manner of putting his mathematics into appendices, of his making sure that he understood what he was doing, and of his not throwing the mathematics away. Michael White asked how Jevons' work could be characterised as lacking in realism, when Jevons is so insistent on the whole theory of behaviour on which his system is built up as one quite capable of being verified empirically. Sam Hollander replied that he thought there was some wishful thinking in Jevons' approach, and that his demand curve for example was set up on some very restrictive assumptions, including those of independent consumers and independent goods. Michael White followed this up by asking why Mill rejected the psychological theory of Bain, which was capable of being verified, to which Sam Hollander replied, partly because Mill was more interested in having the simplest possible approach, as well as other reasons discussed in the lecture. He also disagreed with Michael White's suggestion that Mill relied on introspection in his economics. Juli Irving-Lessmann suggested the discussion of price formation in the lecture seemed to imply both that Mill had some kind of elementary theory of limit pricing, and that Mill differed from the later neoclassical view that demand and supply conditions are determined by two entirely separate forces, in assuming that in determining supply entrepreneurs take account of the demand. Sam Hollander agreed that this seemed to be implicit, though Mill did not follow it through, and the striking thing was that entrepreneurs were not price takers. In reponse to a question from Michael Schneider as to whether Mill's reference to the negative slope of the demand curve was only implicit, Sam Hollander said it was explicit, though he subsequently agreed that the term 'demand curve' was not used by Mill. Michael White asked, if Mill was so concerned with empirical things, why did Mill not retract on the wage fund doctrine in the face of the empirical evidence put forward for fifteen years at least before 1869, but only retract in response to a theoretical demonstration. Sam Hollander replied that he did not take the retraction of the wage fund theory so very seriously, partly because the doctrine of the wage fund in terms of unitary elastic demand was not so conspicuous in Mill's Principles at all, but that in any case a lot of the things Mill concedes to Thornton are concessions that one needs more specific empirical relationships in defining the demand curve; for example, Mill believed that in the short run the demand for labour might be zero elastic, because a fall in wage costs would not attract an increase in wholseale demand. Michael White also suggested that if Mill's retraction was not very important, it was hard to explain why Fleeming Jenkins, Marshall and Jevons, among others, started at that time looking around for an alternative formulation in terms of supply and demand.

SESSION 6

John King (Lancaster): Friedrich Engels as Economist: The Last Twelve Years, 1883-1895

John King began by saying that his paper was an opening shot in a longer project he was working on with Michael Howard, on the history of Marxian economics since the death of Marx. Since writing the paper, while standing by the view that there was a fairly substantial output by Engels on economic matters after 1883, he had come to think that he had been insufficiently critical of Engels in the paper, and therefore to some extent what he was going to say would be a sort of self-criticism. The setting of the paper was the discovery that with the exception of Volumes II and III of Capital, there is nothing in the pantheon of Marxian economic literature which was published between 1867 and Hilferding's Finanzkapital in 1910, and the attempt to put something into this gap in the history of Marxian economics. While Engels had played second fiddle to Marx in the field of economics from 1845 to 1883, once Marx died Engels became both the final court of appeal in the world Marxist movement on all intellectual matters, including economics, and the editor of the Marx Nachlass, and he was forced to develop his own ideas on economic questions. The second volume of Capital came out the year after Marx's death, with the challenge by Engels which inaugurated what came to be known as the prize essay contest on the solution to the transformation problem; Engels foreshadowed the imminent publication of Volume III, which would demonstrate that Marx's solution did not plagiarise Rodbertus, as some had alleged. Volume III in fact took ten years to be put into the presses, and included something rather more than eighty pages written by Engels, out of a total of just under nine hundred. Although this represents a substantial output, what is perhaps more important is the fact that Engels did not do anything at all with any of Marx's earlier manuscripts, which were to remain unknown until well into the twentieth century. In his writings for Volume III on contemporary capitalism, first, Engels said quite a lot on wages, and on what the development of capitalism had done to the material position of the working class, arguing that real wages had gone up from the mid-1840's into the 1880's, but only for relatively privileged sections of the British working class, such as skilled workers in trade unions and factory workers. He also itemises a lot about the nature of the trade cycle, which appeared to him to have changed from the regular ten-year boom or bust cycle which Marx identified, but he hovers between a notion of secular stagnation, a sort of embryonic concept of long waves, and general confusion. He also looks, in a more interesting way, at qualitative changes, in particular the growth of monopoly, the revival of protectionism, and the beginnings of what Hilferding was to call finance capital. Engels looked secondly at the related matters of agricultural development and the development of Russia, to argue

that the decline of peasant agriculture was going to be a fairly slow and retarded process but was nonetheless inevitable. He also took a more 'Marxist' line than did Marx himself towards the end of his life, in arguing that by the 1890's there was no longer any prospect of independent socialist development in Russia, jumping the capitalist stage. Thirdly, Engels launched the so-called historical transformation problem debate, in response to embarrassing questions raised by Sombart and Conrad Schmidt developing his own notion of an entire epoch preceding capitalism in which commodities actually did sell at their labour values; this was to culminate in the 1970's Economic Journal debate between Morishima and Cataphores, and Meek, in which for once Meek was shown to be wrong. John King then proceeded to raise a number of questions, namely those of why did Marx write so little on political economy after 1867, why did Engels let him get away with it, why did Engels take such a long time to bring Volume III of Capital to the presses, why did he endeavour to do all the work himself instead of hiring a team, why did Engels make absolutely no effort to publish Marx's early manuscripts, or even to work on them, why was Engels so timid in what he wrote on the development of contemporary capitalism (in particular, why do his writings on real wages mark a retreat from Marx's own treatment, and why was he so timid on the changing nature of economic crises), why did Engels make no attempt to develop Marx's logical solution to the transformation problem, or even to seek other people's advice on it, why did Engels fail so completely to connect Marx's analysis of the falling rate of profit with the theory of economic crises, why was the falling rate of profit argument so profoundly uninfluential in Marxian economics before 1945 (it is not central even for Hilferding and Bauer - did Althusser revive it?), how far were Engels' views after 1883 influenced by contemporary social and political developments, why was the standpoint of Engels' Can Europe Disarm? (1892) purely that of a Cobdenite liberal, and what would have been different about the subsequent development of Marxian economics if Engels had walked under a horse-drawn bus and died straight after having laid Marx to rest at Highgate Cemetery in 1883.

In commenting on the paper, John Reeves pointed out that Engels was an economist before he had close contact with Marx, and that this leads to the question as to how vigorous an editor Engels was, both of the manuscripts he used and in his selectivity of what he left out. He believed that work on all the manuscripts related to Volume III, with a view to publication, was now under way in Holland, and expressed the hope that the manuscripts would be published in their entirety without omissions or insertions (except by way of appendices setting out what Engels put in). Secondly, given that in his Outlines of a Critique of Political Economy (1843) there is a section on cost of production and utility indicating that Engels was

well read in these areas, did Engels have anything to contribute on the marginal utility views developed in the 1870's? Further, given that marginal utility became a dirty word among Marxists because of its use as a refutation of the labour theory of value, but noting that utility can be split off from marginalism, has marginalism a role in ongoing Marxist economics? Thirdly, he was not sure that even if Marx's early writings had been available in the 1880's, the revisionist debate, in the German Social Democratic Party in the 1890's and subsequently, would have been much different, since revisionism was a reaction to a political situation.

John King responded by suggesting that while it would have been much more satisfactory for historians of economic thought for the Volume III manuscripts to have been published in their entirety, it would have been less satisfactory from the point of view of the people who might have been expected to read them, namely working people, though perhaps this problem could have been overcome by the publication of a gloss, like that of Kautsky on Volume I. On the question relating to marginalism, neither Marx nor Engels took any interest in developments in orthodox or vulgar economics after John Stuart Mill, or much interest in Mill either; compare the 'cut-off' date for vulgar economics of 1830 referred to by Marx in his Introduction to Volume I of Capital. It was really left to Hilferding, and Bukharin in The Economic Theory of the Leisure Class, and then to Maurice Dobb, to criticise marginalist economics. And while agreeing entirely that the revisionist debate was largely about practical politics, he thought that had the centrality of the notions of alienation and fetishism in Marx's thinking been apparent, Marxism as theory would not have been quite so vulnerable to the sort of arguments revisionists such as Bernstein put up.

In the general discussion, Robert Dixon asked why there is so little attention paid to Engels' earlier writings, particularly his interesting, influential and important Outlines, to which John King replied that he thought it was in part due to the reaction against some mechanistic Marxism, which Engels has been blamed for, and of which there are signs in his later writings. Allen Oakley then took up some of the questions. He pointed out that virtually all of Volume II of Capital was in fact written after 1867, and put forward the hypothesis that Engels could not get Marx to finish because Marx was so concerned about the form of presentation of his work, as well as troubled about the scope of Capital. He suggested that Engels did not publish Marx's earlier writings because he would have thought of them, particularly the Paris Manuscripts, as juvenilia. He added that Marx in fact had a mathematical solution to the transformation problem, in a mathematical manuscript dating from the 1870's, though he was not sure whether it had been published yet. He also thought that Engels' Outlines was a highly

emotive and very confused little piece of work, significant at its time but subsequently fading into the background. In response to a question from Sam Hollander asking if he thought the idea of a real wage decline is significant to Engels, and to Marx as well, particularly given Marx's emphasis on it in his talk to a group of workingmen in 1865 and reference to it in Volume I of Capital, John King said he thought there was some support for Mandel's view that there is less emphasis on this in Capital and more emphasis there on increasing human needs over time requiring an increase in real wages. With respect to Wages, Price and Profit, he thought that this could be interpreted as implying either absolute or relative immiseration, and that Marx never really quite made up his mind on this question. Michael White said he interpreted Wages, Price and Profit as saying that while trade unions could prevent market wages falling, they would have trouble pushing them up. Sam Hollander commented that Marx was saying that trade unions can not prevent anything, and Michael White replied that a distinction had to be made here between natural and market wages, but John King responded that the natural wage is very flexible if the rate of exploitation can be 'squeezed'. Michael White also commented, with respect to the falling rate of profit, that the Dobb, Meek and Gillman treatments had been discussed in Australia before Althusser had any influence. Michael Schneider drew attention to the response to marginal utility theory by Rubin, in the chapter on 'Value and Social Need' in his Essays in the Labour Theory of Value, where it is assumed that in order to produce more than a certain quantity of a particular commodity it is necessary to switch to a more expensive technique of production, so that the role of demand is only to cause a switch in production technique, leaving it possible to defend the labour theory of value on the ground that value is still determined by the cost of production of the technique then in use. Sam Hollander said he had never known why there should be presumed to be any conflict whatsoever between the two; for example, Lloyd as early as the 1830's is known as a marginal utility theorist, but he was also a labour theorist, and talks about 'the scissors', and a Ricardo could absorb the marginal utility theory quite neatly, and even Marx goes along with the application of the margin to productivity in the case of different qualities of land. John King responded that Marx tends to go for average labour embodied rather than maximum labour. Michael White commented it was a problem for him in thinking of Lloyd as a precursor of marginal utility theory that Lloyd said that the value of a commodity declines with the quantity of it, that the utility of a commodity does not change with the scarcity of it, and that its special utility does change with the quantity purchased; no-one offered a solution to this problem. Jim Watkins asked where Marx's mathematical solution to the transformation problem came from, to which Allen Oakley replied that one of the manuscripts of Capital comprised a whole heap of mathematics dealing

with the transformation problem, though he did not know whether the solution resembled that of Bortkiewicz.

SESSION 7

Allen Oakley (Newcastle): Schumpeter and the Classical-Marxian Tradition: Two Views of the Generation of Capitalist Motion

In introducing his paper, Allen Oakley said he did understand that the term in the title 'Classical-Marxian' is controversial; the classical part related to the surplus approach to income distribution and capital accumulation, and the Marxian part related to the reproduction schemata for drawing essential pictures of the way capitalism works. What he wanted to do in the paper was look at Schumpeter from the perspective originally set up by Lange and Sweezy, and develop their themes further. What Schumpeter set out to do was to try to turn the static Walrasian framework into a framework for the analysis of motion. Lange and Sweezy pointed to two particular shortcomings in Schumpeter's endeavour, namely there is no allowance for the socio-economic class structure, and profit and capital accumulation are only consequences of motion, not causes. Sweezy went on to pose three questions, namely is Schumpeter's vision of capitalism as a circular flow mechanism an adequate picture of capitalism, did Schumpeter expose the primum mobile of capitalist motion, and was the result of the analytical unity of these two features a satisfactory theory of the motion of a capitalist economy. Not in question in the paper were Schumpeter's economic logic (though this is not a sufficient condition for good economics), his contribution to the study of innovation, or his position as a historian of economic thought. The paper focuses on Schumpeter's Theory of Economic Development, because Schumpeter was a personification of his own hypothesis that all significant intellectuals write everything that is worthwhile before the age of thirty. Schumpeter's initial circular flow model in that work pertains to a commercially organised state characterised by private property, division of labour, and free competition; production of a product takes place as a consequence of inputs comprising only services of labour and of land, giving rise to a series of intermediate goods which disappear with the emergence of the final product. This simple type of framework, which underpins the whole of Schumpeter's analysis, is only a system of feasibility, not of ongoing viability, which depends upon the extra conditions that the land is either inexhaustible or restored out of landowners' income, and that individual endowment-constrained incomes are sufficient for the owners of labour power to survive. Schumpeter injects motion into this system by injecting innovations, involving one of five different categories of new combinations of labour power and land service inputs. The new combinations are organised

by the entrepreneur, without additional resources, though with the aid of borrowed finance. Section 4 of the paper goes through five models which are progressively more complex, and which progressively introduce additional characteristics of capitalism, in the hope of establishing that there are some key characteristics of capitalism which Schumpeter does not even mention. The first model involves all of the resource owners working with their own resources, though the resources may be organised by agents; Schumpeter never gets past this simple type of mechanism. The conditions for reproductive viability in this model can be shown explicitly by using the Sraffa-type approach to disaggregation, with commodities being produced by commodities, but the system described has no specifically capitalist characteristics. The second model allows for a surplus, making it a potentially capitalist system, for there is potential now for receivers of surplus to exist without participating beyond owning means of production, for accumulation, and for the employment (as opposed to organisation) of labour. In the third model profit and capitalists appear, giving rise to the problem of non-uniformity of the rate of profit, which leads to the fourth model, and in the fifth model the subsistence wage is thrown away and replaced by a negotiated market wage. The conditions required for this last system to be in stationary state reproduction are exceedingly stringent; there must be an appropriate relative price ratio, given values of the propensity to consume by both capitalists and workers, a particular rate of profit, a given technology, and a given above-subsistence wage. Turning to the generation of motion, a very unusual feature of Schumpeter's generation of motion is that it is independent of any existing economic activity. This seems to reflect a fundamental misunderstanding of the capitalist growth process, both because existing firms do have a very important and necessary role to play in the generation of motion, and because it is not clear that in Schumpeter's system there is any capacity, let alone desire, to save. By contrast, a surplus already exists in the Classical-Marxian generation of motion framework, which is reflected in model six, and which unlike Schumpeter leaves behind the stationary state, moving on to a balanced economic growth path. The new set of inter-sector market clearing conditions includes the requirements for continuous balanced economic growth, which are again exceedingly stringent, including the added complication of a rate of growth which has to be established. Four concluding observations are that unlike the Classical-Marxian system Schumpeter's system cannot possibly reflect the capitalist motion process because it omits quantitative growth and the accompanying complexities, because it does not treat innovations as an integral part of the growth process, because its adjustment process is of the simplest possible imaginable type, and because its equilibrium conditions have descriptive-cum-explanatory relevance.

In opening the discussion Robert Dixon said he worried about the paper's juxtaposition of Schumpeter and the Classical-Marxian model for two reasons, namely that he saw Schumpeter in a different light, and that he saw a great deal of complementarity between the two models and a lesser degree of conflict than the paper tries to establish. He agreed that Schumpeter defines development as the carrying out of new combinations, but did not see why Schumpeter should be castigated for so limiting himself and not writing about steady growth (though he agreed that the reproduction schemes in Marx for example offer a richer vision of the economy). One thing he would therefore look for was a juxtaposition of models dealing with the carrying out of new combinations, and he was perplexed as to where the so-called Classical-Marxian model allowed for or handled this. Passinetti being the only one who had even made an attempt. More than that, Schumpeter was not really interested at the end of the day in motion per se, what we have in the Theory of Economic Development being in fact a theory of the business cycle; the same model was used in Schumpeter's Business Cycles. A more appropriate juxtaposition with Schumpeter would be Classical-Marxian views on pricing, which tell us about what happens if you have a shock in a general equilibrium system, and which are very rich, where Schumpeter is weak. As soon as we allow for any disturbances, in particular the sorts of things Schumpeter wants to focus on, we immediately have cash flow/contractual repayment problems of the kind highlighted by Minsky (though also extensively dealt with by Marx), but these fragility problems are not discussed by Schumpeter; although he discusses the role of credit creation, there is not much about validation. Further, the Classical-Marxian model as elaborated in the paper is not fair to the richness of Schumpeter's opposition. In particular, the role of classes is inherent in Marx's analysis of economic reproduction, and should not just be mentioned in passing. Having said all that, he thoroughly agreed with the thrust of the paper on the need in a model where industries are not equal to look at departments or integrated sectors, as opposed to the simplistic Walrasian or Schumpeterian vision, in order to close the system in a fruitful way. It is also too simple to say that capital accumulation comes as a consequence of innovation, as the two are inextricably bound, certainly in Schumpeter. And it is not clear that Schumpeter's vision of general equilibrium is of a simplistic Walrasian kind, as against a Hahn type notion of equilibrium, where we talk about stability in conjectures. In the Preface to the Japanese edition of the Theory of Economic Development Schumpeter stated that Walras had said to him 'that of course economic life is essentially passive, and merely adapts itself to the natural and social influences which may be acting on it, so that the theory of a stationary process constitutes really the whole of theoretical economics, and that as economic theorists we cannot say much about the factors that account for historical change, but must simply

register them"; like the classics, Walras would have made exceptions for population growth and for savings. Schumpeter went on to say he felt very strongly that this was wrong, and that there is a source of energy within the economic system which would of itself disrupt any equilibrium that might be attained, and it was in that context that he attempted to make the link with Marx alluded to in the paper.

Allen Oakley responded by saying that Robert Dixon had given him some excellent clues as to where to head next, and he did not wish to dispute any of the comments, though he might come back and talk about them later. He added, in response to John King's question as to the relation between Schumpeter and Hilferding, that there did not seem to be much literature about this, though it was known that Schumpeter was in contact with Bauer and Hilferding and others in the Vienna School of the time. One of the mysteries was why Schumpeter did not take up Marx's reproduction framework as the basis for his analysis of development, particularly as he wanted to get away from the narrow value and distribution bounds of economics as it was understood at that time. John King added that he could not accept there was no surplus in Schumpeter's stationary state, since the land (apart from topsoil blown away) will remain even if rent is not paid. Allen Oakley replied that in Schumpeter rent flows purely and simply from the scarcity argument (since land services are scarce, they command a price), and agreed that is not what is understood by a surplus in the Classical-Marxian framework. Michael Schneider followed up John King's first comment by asking why he would have expected the direction of causation to be from Schumpeter's ideas to Hilferding rather than vice-versa, to which John King replied that perhaps it was rather a matter of interaction since both published mature works at about the same time, and Allen Oakley added that there were awful arguments in Böhm-Bawerk's seminar at the University of Vienna between Schumpeter and Marxists and others, and indeed it was alleged that Schumpeter was once forcibly removed from the seminar for causing too much trouble. Another puzzle was that it was not until 1943 that Schumpeter made any reference to Marx's reproduction schemes, though he had dealt some thirty years earlier with Quesnay's tableau économique. Michael White asked for clarification on the distinction between rent as a scarcity price and the classical surplus, to which Allen Oakley replied that it had never before crossed his mind that in a scarcity sense rent might be called a surplus. Michael White suggested perhaps rent understood in that way is an aspect of the distribution of the surplus, as opposed to its generation. In responding to Robert Dixon's initial comments, Allen Oakley said his point in juxtaposing the two models was that though Schumpeter purported to have provided a satisfactory explanation of the cyclical motion of the capitalist economic system, he could not do this

satisfactorily without both taking into consideration the characteristics of capitalism, and mixing growth and development as simultaneous and integrated processes. He agreed fully that the point about the omission of the financial sector was a very important one, and would take up the suggestion about the relevance of the Hahn-type notion of general equilibrium. Barry Gordon said he believed the juxtaposition was important, partly because many American followers of Schumpeter in particular want to see him as some kind of opposition or alternative to the Classical-Marxian theory, and partly because whereas Schumpeter saw the business cycle as associated with development, the Classical-Marxian theory saw it as associated with growth, though this raised in turn the question as to whether it was useful to distinguish between development and growth. Allen Oakley replied that innovation is present in the Classical-Marxian tradition, and Schumpeter's contribution was not to introduce innovation but to help us understand more clearly its nature. Barry Gordon agreed with this, adding that the inspiration for Schumpeter's business cycle theory was to be found in one of Marx's approaches, namely the Volume II argument that the basis of the business cycle lies in the moral depreciation of fixed capital before its physical time is up, to which Allen Oakley replied that Schumpeter reneged on trying to formulate adequately Marx's theory of business cycles, merely referring to a 1930's article by Smith in the Review of Economic Studies which indeed stressed turnover. Joe Remenyi concluded the session by referring to Dennis Robertson's warning not to confuse the cycle with the trend, suggesting this could be taken further as a warning to distinguish between sources of instability and of motion in models, adding that only relatively recently had there been any real development in the treatment of the innovation process, including institutional innovation, as endogenous.

SESSION 8

Michael White (Adelaide): The Production of the "Marginalist" Economic Agent - the Importance of Richard Jennings' Work

Michael White began by saying there were two broad approaches to the way in which historians have depicted economic actors in English political economy, the first saying that the basic constructs of the economic agent in the theory of action which contemporary forms of supply and demand theory utilises were basically always there from Adam Smith onwards, and the second saying that there are substantial differences between classical political economy on the one side and various forms of supply and demand theory appearing after the 1870's on the other, with classical political economy depicting economic actors in a socio-economic setting including classes, and supply and demand theory depicting agents in an a-social space.

He basically accepted the second approach, and the paper attempts to depict the way in which the changes took place. The paper argues that the supply and demand theory did not emerge suddenly, that before it could appear certain crucial categories of classical political economy had to be dissolved, and that its actual first appearance was not somehow an inherent development within political economy itself, but was imported into political economy from a discourse of physiological psychology which was only produced by the early 1850's. The importance of Richard Jennings' work is not only that he provides the first appearance within political economy of this new theory of action, but also that his work makes it clear that for the Jevonian version of marginalism to be produced it was necessary to ask a quite different set of political questions from those which Jennings utilises. The classical theorists analysed utility quite differently from the way in which supply and demand theory has analysed it since the 1870's, making a sharp analytical distinction between the analysis of the accumulation of wealth and that of value and distribution. The accumulation analysis was concerned with utility, postulating a hierarchy of commodities and of wants involving necessaries, conveniences, and luxuries, each having a degree of utility attached to it which was unchanged regardless of scarcity, but which varied with the type of society. Behaviour, as well as wants, differed according to society, and often also according to class. The wants analysis could also be used to argue that there could be no generalised overproduction of commodities. This distinction between the two analyses underlies Smith's distinction between water and diamonds, which for him was no paradox at all, and Ricardo's distinction between wealth (or riches) and value. One way to attack Ricardo's value theory was to concentrate on market prices, and to redefine wealth so as to relate it not to accumulation but to price determination, taking it outside the social hierarchy of commodities. This is precisely what occurred between the 1820's and the 1840's, through the writings of Bailey, Senior, de Quincey, John Stuart Mill and Thomas Banfield, all of whom redefined the concept of utility by comparison with the way Smith and Ricardo used it. Also during this period, particularly the 1840's, there was a quite clear attack upon the notion of the category of class, which because it was dangerous, could not be true. Wants were now not specified in some kind of socially determined fashion, but instead the analytical pivot of the analysis of wants became the human body, and therefore a person's possessions. This was not, however, a marginalist categorisation, because it did not take into account the cost of acquiring commodities. In marginalism there is an element of calculation required before you can talk about a theory of action, and that theory of action (which did not exist before the 1840's) is the hallmark of marginalist theory, not just the a-social individual. However, the marginalist agent which appears in Richard Jennings' works in the 1850's was not a natural outgrowth of the

earlier rejection process. Jennings drew on physiological psychology, of which the two main proponents at this time were William Carpenter and Alexander Bain. Physiological psychology consisted of an amalgamation of associationist psychology and some new work in physiology hinging on the concept of a reflex, involving involuntary albeit sometimes conscious actions. Carpenter attempted to reconcile this with free will by arguing that reflex actions can be learnt, so that the mass of the population could be given the appropriate signals on what was right behaviour, the only group in society enjoying free will however being that which decided on what were appropriate actions. Jennings conceptualised the economy as an enormous set of reflex activities, most of which could be learnt. This reflex activity produces a whole set of damaging results so far as distribution and composition of output and fluctuations in activity are concerned, leading to political disturbances created by the suffering working class; however this can be offset by a series of interventionary mechanisms emanating from the statesman. The combination of consumption and work, both specified physiologically, provides Jennings with a theory of action. The theory does not have a discussion of price formation in marginalist supply and demand terms (what Jennings says about market prices is not all that different from Adam Smith's description of market prices gravitating towards natural prices), and there is no discussion of the determination of the profit rate, and no attempt to relate wages to productivity such as Jevons was to make. Jennings divides his policy analysis and value analysis into two main areas, the 'statical' concerned with the composition and distribution of a given output, and the 'dynamical' concerned with fluctuations, which he attributed to over-long working hours and to speculation. The three main conclusions to be drawn from the paper were that while the rejection of certain elements in the classical analysis was necessary for the marginalist conceptualisation of action to appear, it actually had to come in from outside by the discourse of physiological psychology, that there is no necessary inherent direction in these changes in economic theory in the nineteenth century, and that Jevons' utility theory of action derives not from Bentham, but from Bain and Carpenter.

In opening the discussion Philip Williams said that while he found interesting the idea that the classical value-in-use analysis was employed to support a notion of a hierarchy of wants, he had a couple of questions about it. Is it possible to document this in classical economists other than Smith? Is it necessary to demolish this hierarchy before marginal utility analysis could be employed? - Pareto clearly thought not, as it was the basis of his distinction between ophelimité and utilité. He would also like more evidence that classical economists writing before 1850 did explore the influence of different social structures on economic behaviour, and it was not

clear to him that the psychological literature of the 1850's necessarily leads to models of machines which are maximising anything. Did the non-English developers of marginal utility analysis also rely upon the psychological literature? - the argument of the paper implies they must have.

In reponse, Michael White agreed that the last question was important, adding that the crucial source here was Gossen, the English translation of whose work he had not yet seen. On the question of maximising calculators, the Bain/Carpenter theory which Jennings used argued that human beings pursue pleasure and try to avoid pain, though it did not lend itself to strict marginal calculation. Much of the work on the want hierarchy is sketched in the eighteenth century, it appears explicitly in places such as Smith's lectures on jurisprudence, and is drawn on in the Wealth of Nations.

In the general debate, John King commented that the only other place he had come across the word 'statesman' being used was in the work of Sir James Steuart, some ninety years earlier, and perhaps in Hegel. Michael White replied that the source of Jennings' use of this term may have been that he was a Tory Romantic, but he was not a reactionary in the sense that he wanted to roll back industrialisation. Tony Aspromourgos said that he was interested in the comment about labour supply and the demand for commodities being modelled together within the theory of rational action based on utility, as he was pursuaded by Garagnani's argument concerning the crucial analytical role that distribution must play in a neoclassical theory of value and distribution, because it is in general only through a supply and demand theory of distribution that you get rising supply price, resulting from changing relative factor demand; with a fixed rate of profit or a fixed wage, equilibrium prices are determined regardlesss of demand schedules, and utility theory can only come in through the theory of distribution. Philip Williams pointed out that the marginal productivity theory of distribution came later than the period dealt with in the paper. Michael White said it was very important to establish whether or not classical political economists understood a convergence towards natural price in supply and demand function terms. Tony Aspromourgos - But they didn't. Michael White - But they didn't. Sam Hollander - Surely they did; it is well established that they did have negatively-sloped demand curves. After this exchange Sam Hollander went on to say that he was convinced that Adam Smith analysed the relationship between market and natural prices in terms of demand and supply. He also asked what exactly was meant in the paper by 'natural price'. Michael White responded by saying that he did not believe that Smith thought of supply and demand in functional terms, and that his reading of Lloyd had convinced him of this. And by 'natural price' he meant that price which is necessary to maintain economic activity at a particular

level, to recompense the particular people involved. Sam Hollander asked if this presumed a labour theory of value, and Michael White replied that he was thinking of Ricardo as well as Smith and Ricardo did have a labour theory of value, though not a simplistic one. Sam Hollander added that his reason for asking was that the natural price for Ricardo can change with changes in the wage rate, through a pure allocative kind of mechanism, to which Michael White replied that this was a real problem with Ricardo's theory which Ricardo could not satisfactorily solve. Sam Hollander cited Ricardo defending himself against the charge that he wished only to heap up commodities without any regard to quantity, and suggested that if Ricardo had been presented with the marginal utility notion he could have absorbed it. Michael White commented that Lloyd says quite explicitly as late as 1833 that the utility of a commodity does not change according to its scarcity, and that special utility and value do change according to the quantity or possession but are not the same thing, so Lloyd cannot have been differentiating between total and marginal utility as most have supposed. Barry Gordon intervened to say that his lecures on the Poor Laws written later than his 1833 lecture on value show that Lloyd had a full grasp of the utility apparatus, to which Michael White replied that nonetheless his 1833 lecture only makes sense in a classical framework divorcing output amd accumulation on the one side from the analysis of value on the other. Tony Endres commented he thought it was Boulding who said that the marginalist economic agent was something like a cross between a sponge and a calculating machine, and asked if it were not possible that Jevons drew not only on Jennings (providing the calculating machine) but also on Bentham (providing the sponge, in the form of the felicific calculus), to which Michael White replied in the negative on the ground that there is no theory of action in Bentham, though Bentham did provide a typology of motives. Michael Schneider asked with respect to influences on Menger and Walras if there were continental physiological psychologists equivalent to the English ones, or if the English theories were widespread, to which Barry Gordon replied that the ideas which Menger and Walras built on had been around for centuries, the subjective utility position coming from Greek philosophy through the Scholastics; what was lacking was the marginalist apparatus, this being the reason in his view why Smith and Ricardo did not look in the direction of utility as a measure. Sam Hollander drew attention to Schumpeter's argument that there is no reason why one cannot be a marginal utility theorist and also take fully into account class relationships of all kinds, including the various class determinants of consumption patterns.

SESSION 9 HETSA Business Meeting and Reports on Work in Progress

The report of the business meeting has appeared on pp. 2-3 of this Newsletter as a separate item. The reports on work in progress follow.

Following the Business Meeting there were the usual brief reports by Conference participants on research work in progress.

John Reeves said his interest in HETSA was a general one, and that as a member of the Department of Economics at the University of Melbourne he was not engaged in history of economic thought lecturing or research, though as a result of his being Convenor of the Melbourne Finance Study Group he had recently decided to re-read some nineteenth century literature in finance, and had started with the Bullion Report. This was serious reading, rather than research.

Ray Petridis explained that his main research interests also were not in the history of economic thought at all. He had been working on British trade unions and the theory of competition, and on Alfred Marshall and the energy problem. He had found some interesting original pieces by Marshall on this.

Barry Gordon reported that he had just completed two book manuscripts for which he was seeking publishers. One is on Alexander Baring to 1830, dealing mainly with his economic thought, but also with his political career. The other deals with the economic problem in Biblical thought. He had also recently completed a ten thousand word piece called 'Judeo-Christian economic thought: Genesis to Augustus', which is going to appear in a three-volume series on the history of economic thought, the volume on early thought being edited by Todd Lowry. On leave next year he was hoping to begin research for a book on the economic thought of the Christian Fathers.

Owen Covick said that his paper on Foxwell was his first venture into the history of economic thought, and that he thought he would again be fully occupied with labour economics and immediate policy issues for some time to come.

Juli Irving-Lessmann indicated that she hoped to pursue further her study of German social thought in the Romantic period, the similarities

between these ideas and those of John Stuart Mill, and the elements of them in Marx, particularly his early writings. She was also interested in doing some work on Bettina von Arnen and Elizabeth Gaskell, two novelists who were interested in the social question, to see how their ideas on the problem of the poor can be related to the different economic and social conditions in Germany and England at the period.

Michael White reported that he had almost finished his thesis, the last bit of which examined the implications for Jevons' work of the utility action theory from Jennings onwards.

Prue Kerr stated that she was looking at the way technological changes come into classical theory, how they affected the structure and the organisation of classical theory after Smith and how they come into the theory of Marx.

Allen Oakley indicated that he intended to complete his paper on Schumpeter and the Classical-Marxian tradition. He was also editing a collection of papers of Adolph Lowe, and writing a long introduction to it.

Jerry Courvisanos said his main current interest was getting a first year economics textbook together centering around current economic problems but linking them to the concept of the surplus and including a lot of history of economic thought material. He was also working on trying to locate Kalecki in post-Keynesian economics.

Marella Di Lorenzo stated that she was not working in the history of economic thought area, though she was interested in it. Until recently she had been doing research on the contributory principle in terms of the pension, and she was now writing a thesis on the retail trade industry.

Tony Endres reported that he had two papers coming up, one a revised version of the paper he read at the last conference, and the other on some of the early American institutionalists, mainly Veblen and Commons, on capital. He was trying to develop two sequels to these papers, the first looking at nineteenth century interpretations of the Davenant/King law of demand to illustrate the methodological problem of textual exegesis in the history of economic thought, and the other looking at the differences between Menger and Böhm-Bawerk on the concept of capital; on this he had reached the conclusion that Menger was much closer to the German historicists and the early institutionalists on the capital concept than we had hitherto thought. A long term project he was working on was the development of economic thought in New Zealand, along the line of the Goodwin history of economic thought in Australia. In response to a question from Barry Gordon about the thought associated with the earlier period of interesting social experimentation in New Zealand, Tony Endres said the big name there was Bember Reeves, but a lot of work had been done on him, and he was trying to start with the first University thinkers who wrote books on economics, rather than on matters of broader economic enquiry.

Paul Augimeri commented that Genovese was his main interest, and he was situating him in the eighteenth century enlightenment, and looking at his intellectual antecedents. He was also taking a research interest in Galiani.

Tony Aspromourgos said that his general interest was in the theoretical structure of classical economics, and after taking a break once he had finished his thesis he might do some work on Steuart.

Philip Williams reported that he had just completed a HOPE article on Marshall's time period analysis, and had been working for the past year on the economics of anti-trust. He had also done some work on Sraffa's 1926 article on competition and decreasing supply price.

Michael Schneider completed the report by saying that his convening the Conference had interrupted further work he was doing on the history and nature of underconsumption theories, but he would now certainly be resuming this work, as he was to write the entry on underconsumption for the New Palgrave Dictionary.

SESSION 10

This session took the form of the Conference Dinner, held in the La Trobe University Staff Club. It was agreed by all present that the catering was first class. The animated discussion around the table was interrupted only by the after-dinner speech, which was given by Sam Hollander, and applauded for its combination of wit and erudition.

SESSION 11

Owen Covick (Flinders): Foxwell on Unemployment

Owen Covick began by saying that the impression of Foxwell which comes through such writings as make reference to him is that though perhaps interesting as a bibliophile, he was basically pretty uninteresting as an economist per se. However, Foxwell's so-called money and finance pieces are not just esoterica, but constitute part of his thinking on unemployment as a social issue and anti-unemployment policy as something which the government ought to do something about. The paper constitutes a survey of Foxwell's published output, trying both to piece together Foxwell's thoughts on unemployment, and to look at Foxwell's attitude to economic theory; it comes through that Foxwell was not so much anti-theory, as anti the mainstream theory of his time. The paper divides Foxwell's writing life into four sub-periods, 1884-8, 1889-96 (the period of advocacy),1896-1908 and 1909-22, with practically nothing however being published in the third of these periods. Foxwell produced two papers concerned to some extent with unemployment before his Irregularity of Employment and Fluctuations of

Prices (1886), in which he attempted to take a comprehensive approach to the whole problem of unemployment, setting out to investigate unemployment via an investigation of movements in prices because unemployment statistics were non-existent, a fact which he bemoans. He says that certain movements in prices have causative influences on unemployment, and others correlate well with it. He identifies six sets of forces acting on the unemployment rate, and discusses various possible policy measures in relation to each. He finishes up with three basic policy recommendations, namely that the monetary system should be reformed so that there is not a trend decline in the average price level, that there should be some reforms to the banking and credit system so that the economy does not experience credit cycles of such severe amplitude, and that there should also be counter-cyclical public works policies. More specifically on the reform of the monetary system, Foxwell blames the decline in the price level since the early 1870's on the international demonetisation of silver, and recommends a re-establishment of a bimetallic standard, and it would appear that this was a feasible policy recommendation during that period. On the reform of the banking and credit system, Foxwell had in mind both more flexibility than the 1844 Peel Banking Act allowed, and a more co-ordinated approach between the central government and bankers to the issuance of credit. What the paper calls the period of advocacy mainly develops these themes, though it also includes one important theoretical leap, namely that once the bimetallic countries, notably France, abandoned the bimetallic standard, other countries moved on to a flexible exchange rate regime, and this particularly affected Britain, resulting both in a trend movement which basically meant that the pound was being revalued upwards with a resultant loss of trade, and in a quite dramatic fluctuation of the exchange rate creating such uncertainty in the minds of traders that they were unwilling to engage in trade to the extent they had been under the fixed exchange rate regime. There was also an unwillingness for silver countries to borrow gold debt, and for British investors to lend to silver countries, resulting in a drying up of international capital flows, putting a further upward pressure on the British unemployment rate. Also in 1895-96 Foxwell wrote two book reviews, in which he really slammed the author for disclaiming any theoretical knowledge of economics and writing as a historian. During the eleven year period 1909 to 1919 Foxwell published seven articles, four prefaces to books, two book reviews, and an obituary article on William Cunningham, and in 1922, the year of his retirement from his Chair at University College London, he published a last paper. The two articles of 1909 are basically concerned with an analysis of the way in which the British monetary system was providing a channel through which a crisis in the crisis-prone American banking system was able to bring about a dramatic increase in unemployment in Great Britain quite independently of

the actual domestic circumstances of the British economy and the British labour market. Once the First World War was in progress Forwell turned to a different aspect of the macroeconomic question, namely that of inflation.

John King began his comments by asking what Forwell's social origins were, where he was educated, and what his political affiliations were. He added that it had occurred to him having listened to Sam Hollander's lecture on Mill that Forwell's apparent mix of the inductive and the deductive method was really very similar to Mill's methodological position, whose influence perhaps made methodological controversies during the last three decades of the nineteenth century less sharp in Britain than elsewhere. The paper would perhaps benefit by some reference to the political controversy about unemployment in the 1880's, including the foundation of the Scoial Democaratic Federation, the first really Marxist-influenced mass labour organisation in Britain, and the first stirrings of British socialist movements, culminating in the emergence of the so-called New Unionism. Was Forwell the only orthodox economist of his time to deal with unemployment, and if so what were the others doing (even given that Marshall and Henry George did touch on unemployment)? To him Forwell was rather like a pioneer, like J.A.Hobson, of what has come to be known as the new liberalism, anti-individualist and anti-socialist at the same time. Who did Forwell have in mind as supplying the input to 'humanistic feeling' - John Ruskin? Since bimetellism seems to have been heretical, did Forwell's advocacy of it get him into trouble? Finally, he found the references in Irregularity to joint stock companies as a possible contributory factor to unemployment extremely interesting, and wondered if hostility to joint stock companies was a general phenomenon in the late 1870's and early 1880's.

Owen Covick said in reply that he thought the 'humanists' referred to by Forwell included Toynbee and Stead, that bimetallism did not seem to have been so written off during that period as subsequently (for example, the Bimetallic Conference of 1888 was held in the Town Hall at Manchester), and that in a 1917 paper Forwell complained that one of the reasons why the British had been falling behind the Germans was because too much was in the hands of the company promoter and the stock exchange and too little done by proper bank organisation. On Forwell's political affiliations, he was a close confidant of A.J.Balfour when he was Prime Minister and Leader of the Opposition, a period in which he was the leader of the centre of the three factions of the Conservative Party, indicating that Forwell was a moderate consevative, though it was possible that prior to the Liberal split in 1886 he had been one of the enlightened wing of the Liberal Party. On his social origins and education, his family was relatively propserous, and he did a Bachelor's Degree at London prior to going up to Cambridge, where he did

logic and philosophy, only really getting into economics in 1873 or 1874 when he was a University Extension Lecturer.

In the general discussion Marjory Harper suggested bimetallism was perhaps not so unusual, because secondary textbooks by Chapman and Bastable for example always discussed the quantity theory of money in terms of gold and silver. Barry Gordon added that England nearly went bimetallic in 1827, and Alexander Baring was a convinced bimetallist, as eventually was Huskisson. Owen Covick confirmed that after 1896 bimetallism was less relevant, because the international supply of gold shot up, leading to a general rise in the price level in gold standard countries, adding that Foxwell later claimed the concurrent general improvement in international trade and prosperity and the reduction of unemployment was exactly what the bimetallists predicted. He added that Foxwell also argued that England was on a bimetallic standard before 1816, to which Barry Gordon responded that this was being inconclusively debated in Parliament in Ricardo's time. Michael Schneider commented that one of the things the paper does not mention is the fact that Foxwell was responsible for coining the misnomer 'the Ricardian Socialists', in the Introduction to Menger's Right to the Whole Produce of Labour, and that he had always thought that Introduction was a rather unusual thing for Foxwell to have written, to which Owen Covick replied that for him to say something sensible about that Introduction would require years of further reading beyond what he had done for his paper, though Keynes' obituary of Foxwell does say that socialism was one of his interests, and he obviously read the first volume of Capital before it was translated into English, and read Lasalle. John King asked if it it was likely that he collected the books, to which Owen Covick responded in the affirmative, adding however in response to the suggestion that Menger did likewise that he felt the Introduction bears very little relation to that which it is supposed to be the introduction to. Sam Hollander said that some of Foxwell's account of the replacement of the old schoool by the new was surprising because it seemed to assume that John Stuart Mill had never written, as Mill had criticised the old school because it lacked humanistic feeling and did not allow for any historicism; for example, it was not Mill who was a laissez-faire, advocate, but people like Robert Lowe who could be said to have represented the old school, and historicists like Cliffe Leslie drew on Mill, who also recognised the responsibility of the bank authorities to intervene in crisis periods, and the requirement for higher reserves to insulate the domestic economy from what is going on abroad. Owen Covick responded by saying that there was a definite incompatibility between this picture of Mill and the school which Foxwell associates with the name of Mill - perhaps Foxwell was attacking the popularised version of Mill, as he was quite vicious in his attacks on Fawcett for example. Sam Hollander

added that Hutchison in his 1978 book had interpreted Mill in the same way that Forwell did, except that in the last years of his life he had been drawn to the historical writers, which is totally wrong because the historical writers drew on Mill. Owen Covick agreed this was possible, drawing a parallel with the wrong association of Keynes with the accelerator theory of investment, or the idea that government spending will by a mechanistic formula automatically bring about a multiplier expansion of GNP. Barry Gordon suggested that because of the humanistic element in Mill and because of the blanket condemnation of the Ricardo School by Toynbee for example, Mill had come to be seen as a confused follower of Ricardo. Sam Hollander asked what aspects of Ricardo had been found objectionable, and in particular was it not known that Ricardo had recommended devaluation both in 1811 and in Parliament, as was apparently the case in the 1926 period when the authority of the classics was wrongly drawn on for going back to gold at the old par, the consequence being an awful social upheaval; this particular instance was an indication of the enormous importance of our subject. Owen Covick commented that Forwell's 1922 article shows that he knew this. Barry Gordon added that the Ricardo support of the abolition of the Poor Laws was one of the things the Toynbee group was against, Toynbee in particular being a supporter of a social welfare system. Michael White said it had been argued by Tomlinson that three things had enabled the government in England to focus on unemployment after 1870, one being the social problem, another being the gold and money supply and its effects on trade, and the other being the free trade argument, and Forwell seemed to have dabbled with all three arguments, to which Owen Covick replied that Forwell was very ambiguous on tariffs and protection - his dissent was only from a doctrinaire free trade line, and only in one place did he talk about tariffs in the context of unemployment, and then only to reject it as a solution on the ground that the tariffs would have to be far too high, like the American ones. He added that he had intended to make reference to Forwell's 1917 paper entitled 'The Nature of the Industrial Struggle', which was on international competition among large cartelised, monopolised industries, and was very much in the spirit of Lenin's Imperialism. Mac Boot asked if Forwell exerted an influence through having prominent students, and Jim Watkins asked what his library-building activities involved. Owen Covick replied that he suspected Forwell's main influence came through his acting as economic adviser to Balfour, though Henry Higgs was a student of his, and while his library-building provided a great resource for historians of economic thought it did not particularly further Forwell's own ideas. He added that though Forwell was teaching at Cambridge until 1908, Keynes gives Forwell virtually no footnotes in his works.

SESSION12

Philip Williams (Melbourne): John Bates Clark and Antitrust: A Leader of Progressive Economists

Philip Williams began by saying that his paper was part of a larger project on attitudes of economists to anti-trust policy over the last hundred years. Contrary to Stigler's assertion in his Richard T. Ely lecture, a whole group of American economists had written on anti-trust policy prior to the passage of the Sherman Act in 1890, particularly young American economists who had come back from being trained in Germany in the early 1880's, including Richard T. Ely, Adams and Hadley. Their writings, which did not have much influence on the Sherman Act, were very much concerned with the effects of trusts and the trust movement on barriers to entry, and argued that so long as there was a threat of entry from outside an industry, that would be a sufficient force to constrain firms within the industry to behave in a socially optimal way. J.B.Clark followed this line at that time, when his general view was that if the action of natural law is guaranteed, it will do of itself much of the regulative work that is chiefly needed, the residual work remaining to the government being relatively simple. Interest in the subject was rekindled around the turn of the century, both because of the re-activation of merger activity within the United States economy, and because of the general upsurge of interest of professionals in government regulation, including giving advice on it, which was part of the general progressive movement to which the paper refers, and of which Clark was an almost archetypal representative. Clark argued that the monopoly problem was one not of large firms per se, but of barriers to entry. It was the banishing not of actual but of potential competitors which makes a single firm or a cohesive group of firms a monopoly, and where it has nothing to fear on the economic side, its danger on the legal side ought to begin. By contrast with Mill and Marshall, who argued that to ensure operation at an efficient scale there must be no collusion in the industry as well as its being open to new entry, Clark argued that freedom of entry would be sufficient to preclude collusion. Clark believed that impediments to entry existed if inefficient conduct could be sustained without attracting new entry, and consequently advocated policies which would facilitate entry if the incumbent firms engaged in practices which were socially undesirable. One of these policies advocated was public disclosure of their activities by firms, which Clark supported both because it would reduce fraud and because it would facilitate entry. Clark was also concerned that firms with natural monopoly power in one sphere might seek to extend their monopoly to other spheres, either by using price discrimination (so he advocated control over price discrimination), or by exclusive dealing which for example required a company purchasing a monopoly product to purchase others as well (so he

advocated investigation of exclusive dealings by a Regulatory Commission to see whether this was evidence that a firm was able to extend its monopoly power from one sphere to another, in which case the behaviour should be banned, and punished if it persisted). Unlike Marshall, Clark saw some conflict between trying to control the trusts via the tariff and allowing a sufficient tariff level to enable the expansion of infant industries, and he advocated only a limited reduction of tariffs. Clark lobbied to have the Sherman Act made more specific, initially unsuccessfully in the face of Roosevelt's support for small business. However, in the American Tobacco and Standard Oil cases of 1911 there was propounded a 'rule of reason' which stated roughly that actions would be assessed not on the basis of the action performed but rather in relation to the industrial environment in which the action took place, and in 1912 Roosevelt was replaced by Woodrow Wilson, with whom Clark corresponded. But before Clark could have an influence on policy, he appears to have changed his mind, revising his standard book on the control of trusts in 1912, with the aid of his son, who was said to have written almost all of the new chapters which in fact entirely changed the tone of the book; the new chapters argued that in the absence of competition the number of firms within an industry should be increased, and that concentration of control of capital in an industry should be limited (these views were re-iterated by J.B.Clark in evidence he gave before a Senate Committee of Inquiry at about the same time). Clark sent a copy of his revised book to Woodrow Wilson, who after his election sought Clark's opinion on drafts of three Bills before Congress, which after Clark's endorsement were passed in 1914. Finally, J.M.Clark wrote in his essay on J.B.Clark that his father changed his mind on trust policy because he had come to realise that after the first decade of the twentieth century potential competition was a less potent force than it had been earlier. However, this is contradicted by what J.B.Clark wrote in 1928 in his contribution to the Von Wieser Festschrift, where he stated that the power of potential competition was even more constraining than in the 1880's and 1890's, because the big trusts did not act so aggressively to deter entry, and where he explicitly argued against trust-busting.

Joe Remenyi opened the discussion by saying that while he had gained a great deal of knowledge about J.B.Clark from the paper, he thought the paper did not entirely succeed in its goal of showing that Clark's changes in attitude have been misinterpreted, or in demonstrating that in spite of the changes in his own outlook on economic method Clark was a progressive, given that the period in which Clark was writing was one of enormous ferment with regard to economic method, and one characterised by the rise of a threat to conservative economics from socialism and from socialist planners. The paper did however document the role played by Clark in a

very important area of social legislation, and the vicissitudes of his own position as to the significance of the role of potential competition, though he would be interested to know also Clark's views with regard to trade unionism, and whether with respect to tariffs Clark and his colleagues recognised anti-trust legislation as a second-best policy. Another extremely interesting question not canvassed in the paper was whether J.B.Clark did not suspect that economies of scale threaten the integrity of competition in a world of profit maximisers; where low prices suppress competition by forcing the least efficient firms out of an industry, the American legislation would seem to act to maintain prices at levels above what the threat of litigation would define as predatory pricing. He added that we do not pay sufficient attention in the history of economic thought to the roles in economies during this time of institutionalists, among whom he would include Clark, and of social engineeers.

Philip Williams responded by making it clear that by 'progressive' he meant no more than that Clark was part of the movement by which the advice of professionals was being sought in the solution to social problems. With respect to Clark's attitude to organised labour, he guessed Clark thought the unions were a good thing as long as they did not rock the boat too much. On the issue of economies of scale threatening competition, J.B.Clark made it clear that he did not think that there was any dilemma at all here so long as there were no barriers to entry. On the relation of Clark to the institutionalists, he was not sure that he would want to call Clark an institutionalist, as his distribution of wealth theory was highly abstract, and his advocacy of a particular kind of anti-trust policy did not fit very well with the institutionalist tradition.

The general discussion was opened by Sam Hollander, who said he would be interested in Marjory Harper's views on Roosevelt. Marjory Harper said in reply that the progressives were split into two groups, the new nationalist progressives and the new freedom progressives, of whom the latter were less interested in the advantages of scale than in the fine tuning question of knowing at what point a number of people could enter an industry. Philip Williams commented that optimising trust policy was one of the major issues in the 1912 election campaign, and Roosevelt certainly had in mind a regulatory commission which would establish quite cosy relationships between business and the regulators, but would at the same time impose some sort of price control, rather than extending controls on monopoly power. Marjory Harper added because he saw regulation as so difficult Roosevelt's policy was to hit unexpectedly, in the hope that industry would learn the limits and become self-regulatory, and this is what J.B.Clark was saying the the 1920's. In response to a question from Joe Remenyi as to

how Clark said the regulators would distinguish between a firm that was practising predatory pricing and another firm that was simply passing on the gains of efficiency and economies of scale, Philip Williams said it was generally argued only that people with training in economics are much more likely to reach a correct decision than are judges. Greg Whitwell asked for more detail on the reasons for Clark's change of mind in 1912, on what Clark meant by 'the moral tone of the nation', and on why so many young American economists went to Germany. Philip Williams said in reply that it was not even clear that Clark did change his mind, though it was odd that no one (not even Dorfman) had referred to it, that Clark's reference to 'the moral tone of the nation' was a reflection of his early Christian socialist views, which included misgivings about the competitive process because of its mean and money-grabbing aspects, and that very little was known on why American economists trained in Germany, adding that one of Wagner's influences on Clark was his interest in the optimal policy that a state ought to pursue. Julie Irving-Lessmann mentioned that work had been done on this last topic by Hofstatter and by Morton White. Marjory Harper said that even in Australia and New Zealand it had been said that Germany was a better place to train for economists from newly-developing countries, and Margaret Davidson added that many graduates from the University of Sydney had gone to Germany at this time. Michael Schneider asked whether Clark regarded price discrimination as contributing towards or evidence of, monopoly, to which Philip Williams replied that Clark believed you had to have some monopoly power to engage in price discrimination, but that price discrimination could be a means of extending your monopoly. John Reeves mentioned the reference in the paper to fine tuning, and drew a parallel with Australian tariff system following the Ottawa Convention, when it was specified that Australian tariffs should be adequate to protect efficient Australian industry but not so high as to exclude British manufacturers from some share of the market, adding that at this time the influence of Sir Douglas Copland in Australian tariffpolicy was at a high level, and that during Copland's period at the University of Melbourne Clark's Distribution of Wealth was a very famous textbook; whether there was any inter-relation between these variables he did not know.

Barry Gordon brought both the session and the Conference to a close by moving a formal vote of thanks to Michael Schneider, who had put in a tremendous amount of work in bringing together an extremely interesting set of papers and ensuring a very smooth running Conference (though he had worked us a bit hard). Michael Schneider responded by saying that he would like to take the opportunity to thank each participant in the Conference, and especially those who had been involved in the organisation of the Conference, in particular Joe Remenyi, and Associate Convenors Philip

Williams, John Reeves, and Robert Dixon; he owed the biggest debt of all to Robert Dixon, who over the past couple of months had been as much Convenor of the Conference as himself. He then declared the Conference ended.

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