



*Unil*

UNIL | Université de Lausanne

# 18<sup>th</sup> ESHET Conference

Centre Walras Pareto | 29-31 May 2014

# BOOK OF ABSTRACTS

## Table of contents

Amanar Akhabbar – The Methodology of Samuelson's Non-Substitution Theorem.....	10
Alain Alcouffe and Fanny Coulomb – Pacifism of the French liberals in the late 19th and early 20th centuries / Frédéric Passy and Léon Walras, candidates for the Nobel Peace Prize .....	11
Angela Ambrosino – The Role of Agents' Propensity toward Conformity and Independence in the Process of Institutional Change: Links between Veblen and Hayek .....	12
Oleg Ananyin – Equilibrium Theorizing in Statu Nascendi: Cantillon's Lessons .....	13
David Andrews – Adam Smith's natural prices, the gravitation metaphor, and the purposes of nature .....	14
Richard Arena – The role of technical and social factors in the distinction between necessities and surplus: Sraffa on and after classical economics .....	15
Arie Arnon – A Re-Examination of Hayek's Disputes and Agreements with Keynes Concerning "Interventions" in the Economy: 1924 to 1946 versus the 1970's .....	16
Tony Aspromourgos – Keynes, Lerner and the Question of Public Debt.....	17
Michaël Assous and Paul Fourchard – Kalecki: a figure at the intersection of Marx, Wicksell and Frisch .....	18
Marianna Astore – Controlling exchange rate during WWI: Liberalism versus State Intervention in the Italian case .....	19
Vladimir Avtonomov – A model of man for economic liberalism .....	20
Caroline Bauer – Responsibility as a factor of performance in the duty of lieutenancy- an interpretation of the motivation for work according to John Calvin.....	21
Antoinette Baujard – A utility reading for the history of welfare economics.....	22
Michele Bee – Rethinking self-love. Beyond selfishness and approbation of others in Adam Smith thought .....	23
Nesrine Bentemessek Kahia and Jérôme de Boyer des Roches – Financial Institutions and Liquidity of Public Debt in England [1694 – 1720] .....	24
Daniele Besomi – The commercial pendulum, tradequakes and financial tempests. Metaphors for crises in the 19th century .....	25
Victor Bianchini – Social Comparisons and Individual Welfare: Back to James Mill.....	26
Joerg Bibow – On Keynes' vision for the international monetary order and global finance in light of his theories of effective demand and liquidity preference .....	27
Fabrizio Bientinesi – Was international trade theory a wertfrei one? Three different approaches: Sismondi, Ferrara and Pareto .....	28
Olav Bjerkholt – The first European Econometric Society Meeting, September 1931, Lausanne .	29
Alfredo Blanco – Some considerations on the influence of economic liberalism in the May Revolution of 1810 .....	30
Roxana Bobulescu and Ina Chong – Analogy, metaphor and direct integration in Nicholas Georgescu-Roegen's bioeconomics .....	31
Mauro Boianovsky – Before macroeconomics: Pareto and the dynamics of the economic aggregate .....	32
Olga Borokh – Liberal economic thought in Republican China in the 1930s .....	33
Céline Bouillot – John Locke and an economic state of nature: mercantilist or liberal? .....	34

Dirk Brantl – Mandeville vs. Smith: Luxury, Opulence, Market Growth, and the Wealth of a Nation.....	35
Lucy Brillant – Limits of arbitrage and interest rates: A Debate between Hawtrey, Hicks and Keynes.....	36
Andrea Cabello – The Firm: the Role of Hierarchy and Market in Coasean and Marxist Tradition .....	37
Gilles Campagnolo – Liberalism In Between Europe And China: an economic dilemma .....	38
Gilles Campagnolo – Liberalism In Between Europe And China (introduction and generalities) .....	39
Jose Luis Cardoso and Michalis Psalidopoulos – The German Historical School, protectionism and liberalism .....	40
Carvajalino Juan – E. B. Wilson and the establishment of the first course of advanced mathematical economics at Harvard in the mid-1930s: a story that intertwines mathematics, social sciences and economics .....	41
Edward Castleton – Sismondi's reception among nineteenth-century French socialists, 1840-1850 .....	42
Mario Aldo Cedrini and Anna Maria Carabelli – Not Beautiful, Not Just, Not Virtuous; 'And It Doesn't Deliver the Goods'. Capitalism and Fear of Goods in Keynes's Thought.....	43
Guenther Chaloupek – Karl Pribram's liberalism of compromise.....	44
Irina Chaplygina – Liberalism as a principle of coordination for “extended order” .....	45
Cléo Chassonnery-Zaïgouche – Milton Friedman on Racial Discrimination: a Historical Perspective on Chicago liberalism .....	46
Francis Clavé – Comparative study of Lippmann's and Hayek's liberalism (or neoliberalism)....	47
Alain Clément and Riccardo Soliani – From Gide to Desroche: cooperation and utopia.....	48
Stefano Condorelli – John Law as a liberal economist and policymaker.....	49
Clément Coste and Marie Lauricella – Getting together to produce: from the need of reform to the justification by History. Comparative study of Buchez's and Pecqueur's social economy from 1830s to 1848's turning point.....	50
Annie Lou Cot – On Irving Fisher's use of medical metaphors .....	51
Alexandre Cunha – An unnoticed “Swiss connection” in the dissemination of cameralist ideas during the second half of the 18th century .....	52
federico d'onofrio – A few notes on the concept of ‘felicitas publica’ in 18th century Political Economy.....	53
Francesca Dal Degan – The magic lantern of Coppet: commerce and “reciprocal” independence .....	54
Muriel Dal Pont Legrand and Harald Hagemann – The actuality of Schumpeter's program of research: from 1911 to Neo-Schumpeterian Growth Theory .....	55
Elena Danescu – Pierre Werner A Visionary European and Consensus Builder.....	56
John Davis – Reflexive economic agents and consciousness: The SLAM approach.....	57
Jérôme de Boyer des Roches – Money and Foreign Trade in Ricardo (1809-1811) and in Ricardo (1817) .....	58
michel de vroey – Conceptualizing unemployment: a hard, long and unfinished journeytitle .....	59
Pierrick Dechaux – Conceptualizing the formation and role of expectations before 1950: George Katona's thought .....	60

Ghislain Deleplace – An unorthodox genealogy on the relation between the markets for foreign exchange and credit in Steuart, Thornton, Tooke, and Keynes (1923).....	61
Christophe Depoortère – Two unpublished letters by David Ricardo on a monetary pamphlet by Samuel Tertius Galton.....	62
massimo di matteo – The formation of Goodwin's vision: the first step.....	63
Arnaud Diemer and Jérôme Lalement – Liberalism, Capital taxation and Justice : From Emile de Girardin to Maurice Allais .....	64
Arnaud Diemer and Alain Alcouffe – French Neoliberalism and German Ordoliberalism : The revival of liberalism after the Great Depression .....	65
Arnaud Diemer and Michel Herland – Leon Walras and the french tradition of social liberalism	66
Marion Dieudonné – Credit, Goodwill and Monopoly : a Veblenian Triptych.....	67
Eugenia Dinivitzer – Indian Currency and Finance: the originality of Keynes's normative view .	68
Rodolphe Dos Santos Ferreira – The case against market perfection: The two Bertrand's objections are one.....	69
Stavros Drakopoulos – Mathematical Psychics and Hydraulics: The Methodological Influence of Edgeworth and Fisher.....	70
Lucyna Drenda – The problem of individuals' behavior within the market society .....	71
Marie Christine Duggan – The Church as Obstacle to Growth: The Eighteenth Century Conversation in Spain.....	72
Till Düppe – Koopmans in the Soviet Union: A travel report of the summer of 1965 .....	73
Kenneth Dyson – Hans Tietmeyer, Ethical Ordo-liberalism, and the Architecture of EMU: Getting the Fundamentals Right .....	74
José Edwards – ... and social telescopes saw the light (1966-81) .....	75
Susumu Egashira – Hayek and Evolution : discussion with Japanese biologist, Kinji Imanishi..	76
Irina Eliseeva – Russian Liberal Economist A.I. Chuprov: Between the Past and Future.....	77
Simone Fagioli – Vilfredo Pareto and the Liberal debate about railways in Tuscany in the mid-nineteenth century.....	78
Giovanni Farese – Luigi Einaudi and Ludwig Erhard. The moral foundations of market economy in post-war Europe .....	79
Julie Ferrand and Arnaud Orain – Gabriel Bonnot de Mably (1709-1785) as an Economist. Commerce, Luxury, and the so-called “Classical Republicanism”.....	80
Agnès Festré and Odile Lakomski-Laguerre – Wieser as a theorist of institutional change: Money development as an illustration .....	81
Raphaël Fèvre and Roberto Baranzini – Walras and Ordoliberalism: an old thesis .....	82
Tiziana Foresti and Nicola Giocoli – American Economists and Legal Formalism: Freedom of Contract in the 1886 Science Debate .....	83
Andrea Franc – The importance of Switzerland for the neoliberal movement before, during and after World War II.....	84
Masatomi Fujimoto – Robert Torrens's Theory and Policy of International Trade .....	85
Hiroyuki Furuya – The Invisible Hand in Adam Smith: Stoic or Calvinist?.....	86
Pierre Garrouste and Agnès Festré – Knowledge and reality in Michaël Polanyi.....	87
Pierre Garrouste and Agnès Festré – The ‘economics of attention’: A history of economic thought perspective .....	88

Christian Gehrke and Florian Brugger – Communicative Reciprocity and Responsible Liberalism: From Corporate Social Responsibility to Stockowner-Employee Partnership: An Empirical Analysis.....	89
Niels Geiger – The Rise of Behavioural Economics in the Literature and as a Source of Policy Advice: A Quantitative Assessment .....	90
Jean-Sébastien Gharbi – On the Chinese Modernization: Political Philosophy, Public Economics and Schools of Thought .....	91
Murial Gilardone and Antoinette Baujard – Sen is not a capability theorist.....	92
Nicola Giocoli – Classical competition and freedom of contract in American laissez faire constitutionalism .....	93
Rebeca Gomez Betancourt and Robert Dimand – The ideal currency of the future: E. W. Kemmerer and J. M. Keynes on India Gold Exchange Standard .....	94
Hugh Goodacre – Straight lines and 'ancient denominations': William Petty's political economy and the delineation of Irish lands.....	95
Jan Greitens – The influence of Ferdinand Tönnies on Rudolf Hilferding .....	96
Marco Guidi and Monica Lupetti – Language and Government. Translations and Discussions about Adam Smith's Considerations Concerning the First Formation of Languages in France, Portugal and Italy .....	97
Dan Hammond – Paul Samuelson as Social Physician: A History of Therapeutic Nihilism .....	98
Sang Jin Han, Young-Hee Shim and Sae-Seul Park – Communicative Reciprocity and Responsible Liberalism: From Corporate Social Responsibility to Stockowner-Employee Partnership: An Empirical Analysis .....	99
Rima Hawi – Justice as fairness or capitalism? The contradictions and contributions of the theory of John Rawls.....	100
Cyril Hédoin – Epistemic Basis for Collective Intentions in Games .....	101
Toshihiko Hozumi – Eduard Heimann's thought on Socialization and Social Policy in the Era of Weimar Republic .....	102
Jimena Hurtado – Bernard Mandeville: Wealth beyond vice and virtue .....	103
Alexandra Hyard and Therry Demals – Forbonnais, the two balances and the "Economistes" .	104
Seiichiro Ito – What should the English learn from the Dutch? -herring-fishing and trade- .....	105
Gilles Jacoud – Why is money important in Jean-Baptiste Say's analysis ? .....	106
Dorian Jullien, Judith Favereau and Cléo Chassonnery-Zaïgouche – Time-risk-social interactions within rationality and fact-value entanglements: the premise of the “reconciliation problem” with implications in applied economics .....	107
elena kalmychkova – Interpretation of natural law doctrine in the classical school of economic thought in France and England and the specificity of its perception in Russia. Natural law doctrine as the ground of the liberalism .....	108
Béla Kapossy – Liberal Switzerland and the prospect of European peace.....	109
Ioannis Katselidis – Dissenting British Economists on Unemployment and Labour Market Policy during the Late Victorian and Edwardian Era (1880-1914) .....	110
Bruce Kaufman – The Early British and American Institutionalists on the Dynamic Between Income Inequality and Crisis in Capitalism .....	111
Alp Yücel Kaya and M. Erdem Özgür – Kadro on Agrarian Question in Turkey.....	112

Alp Yücel Kaya and Eyüp Özveren – Sakizli Ohannes Pasha’s Mebadi-i Ilm-i Servet-i Milel: Classical Liberalism in a Peripheral Costume .....	113
Deniz Kilincoglu – Liberalism and the Early Roots of “Islamic Economics” in the Late 19th Century .....	114
Yuichi Kimura – N. Kaldor on Expenditure Tax: Through J.S. Mill and J. M. Keynes .....	115
Mark Knell – Isaac Newton, Robert Simson and Adam Smith .....	116
Karen Knight – A.C. Pigou’s The Theory of Unemployment and its Corrigenda: The Letters of Maurice Allen, Arthur L. Bowley, Richard Kahn and Dennis Robertson .....	117
Ekkehard Koehler – (Neo-)Liberals facing economic crises: Insights from the archives .....	118
Masashi Kondo – A Study of Methodology on Arthur Lyon Bowley and Alfred Marshall.....	120
Peter Kowyk – Smithian Interpretations of Trust Games Context and In-Group Perception .....	121
Heinz D. Kurz and Neri Salvadori – Piero Sraffa’s early work on joint production: probing into the intricacies of multiple-product systems .....	122
Stephanie Laguerodie – The “Consumer Sovereignty” Theory in Liberalism : Hayek and Galbraith on human needs and desires .....	123
Roberto Lampa – What capital really means: the forgotten debate between Lange and Knight in the 1930s Chicago .....	124
Lauren Larrouy – Challenging Standard Non-Cooperative Game Theory? From Bacharach’s “Variable Frame Theory” to “Team Reasoning” .....	125
Charlotte Le Chapelain – The concept of human capital, an impasse? .....	126
Guilhem Lecouteux – How we became rational: the duality of the economic man .....	127
Qunyi Liu – Yan Fu and Kaiping Mines: the Meaning of Economic Liberalism in Early Modern China.....	128
Adrien Lutz – Economic liberalism & Saint-Simonianism: a new look at the commercial crises of the early 19th century.....	129
Harro Maas – Olmsted, De Bow, and the Weight of Evidence.....	130
Ivo Maes and Eric Bussière – Robert Triffin: a hedgehog in pursuit of European monetary integration .....	131
Antonio Magliulo – On the Comparative History of Economic Thought: Towards a Global Approach .....	132
Natalia Makasheva – N.D. Kondratiev's Design of the Theory of Economic Dynamics, or Dialogue through the Prison Walls .....	133
Maria Cristina Marcuzzo – Whatever happened to the Keynesian multiplier? .....	134
Atsushi Masunaga – The Logical Construction of Ricardo's Tax Theory .....	135
Sylvere Mateos – Looking for the human capital revolution’s foundations .....	136
Michael McLure – Pareto and Pigou: the new edition of the Manual and the latest edition of the RESS .....	137
Ferdinando Meacci – Ricardo’s and Malthus's Common Error in their Conflicting Theories Of the Value of Labour.....	138
Stephen Meardon – Protectionist Dilemmas and the Doomed Trade Deal of Messrs. Ulysses S. Grant and Matías Romero .....	139

Denis Melnik – First World War and economic liberalism .....	140
Matteo Menegatti – A comment on Quesnay's Tableau .....	141
Antoine Missemmer – Was Nicholas Georgescu-Roegen a degrowth theorist? .....	142
Arash Molavi Vassei – Increasing Time Preference and Optimal Capital Deepening: A Rational Reconstruction of F.A. Hayek's Capital Theory .....	143
Aldo Montesano – About Pareto's Manual and the critical and variorum edition .....	144
Fiorenzo Mornati – The history of Pareto optimality in Pareto .....	145
Vitor Neves – Freedom and education: a skeptical review of neoliberal thought .....	146
Daniel Nientiedt – Liberalism and democracy ? a Comparative Reading of Eucken and Hayek .....	147
Shinji Nohara – Liberty and Inequality in Smith and Condorcet .....	148
Guy Numa – The influence of J.-B. Say on Jules Dupuit's Monetary Views .....	149
Rustem Nureev – How Lenin distorted Marx's views to achieve their own purposes .....	150
Motohiro Okada – Vilfredo Pareto on Labour .....	151
Toshiaki Otomo – Henry Thornton on the Independence of the Central Bank .....	152
Yoshifumi Ozawa – J. S. Mill on Military Expenditure .....	153
Emre Özel – Political Liberalism(s) From Adam Smith to John Rawls; An Inquiry on the Ideas of "Impartial Spectator" and "Public Reason" .....	154
Eyüp Özveren – History of Ottoman and Turkish Economic Thought: Comparisons with Whom and Why? .....	155
Paolo Paesani – Post-war commodity price stabilisation: theoretical underpinnings, operational implications and policy debate .....	156
Letizia Pagliai – Political Economy and Economic Culture in Russia in the First decades of the 19th Century: The reception of Sismondi's Economic Thought .....	157
Luis Palma Martos and Luis Fernando Aguado – How were cultural goods integrated into economic analysis? A glance from the history of economic thought .....	158
Antoine Parent – Juglar (1853) and Algeria: A Liberal Thought Against Colonialism .....	159
Wilfried Parys – David Hawkins and the Hawkins-Simon conditions .....	160
Elena Pasquini Douglas – How will we know what is 'good'? Richard Whately's challenge to the Christian Utilitarianism of William Paley .....	161
Pencho Penchev and Nikolay Nenovsky – On the Development of Economics in Eastern Europe: the Case of Bulgaria .....	162
Plassard Romain – Clower's volte-face regarding the "Keynesian Revolution" .....	163
Monika Poettinger – The Methodenstreit and the Waning Influence of French Liberalism in Europe in the 1870s .....	164
Duo Qin – Inextricability of Confluence and Autonomy in Econometrics .....	165
Jens Reich – The Evolution of Bank Money .....	166
Constantinos Repapis – J.M. Keynes, F.A. Hayek and the Common Reader .....	167
Fernando Ribeiro and Nelson Cantarino – "Circulation is the principle of life": Medical Thought and Economic Analyses in the Work of François Quesnay .....	168
sylvie rivot – Information, expectations and monetary policy: Keynes' and Friedman's complementary lessons for today .....	169

Pierre-Hernan Rojas – The structural asymmetry of the gold standard in Hawtrey's works (1919-1922) .....	170
Rustam Romanian, Alain Marciano and Giovanni B. Ramello – Accident Costs, Resource Allocation, and Individual Rationality: Blum and Kalven vs. Calabresi.....	171
Gjermund Forfang Rongved and Einar Lie – “The inner exile”. Economic liberalists and liberal economic perspectives in Norway in the post war-era .....	172
Ana Rosado – The origins of American economic ideas about competition and antitrust .....	173
Goulven Rubin – Disequilibrium economics: a tale of cacophony or inherent difficulty? .....	174
Arild Sæther – Principles of Taxation - From Samuel Pufendorf to Adam Smith.....	175
Javier San Julian Arrupe – Who will bear the costs? The allocation of tax burden in the liberal state in Spanish economists and their influence in policy .....	176
Eleonora Sanfilippo and Antonio Bariletti – At the origin of the notion of "creative goods" in economics: Scitovsky and Hawtrey.....	177
Masanobu Sato – Hayek and Knight on the conditions of liberal society: How two critics of “liberals” came to different conclusions .....	178
Bertram Schefold – Profits Equal Surplus Value on Average and the significance of this result for the Marxian theory of accumulation .....	179
Daniel Schiffman, Warren Young and Yaron Zelekha – Milton Friedman and Economic Reform in Israel, 1977 .....	180
Christophe Schinckus and Yuval Millo – A nuanced perspective on episteme and techne in Finance .....	181
Peter Schmidt – Economic theory and the history of EU regional policy: Adam Smith revisited	182
Reinhard Schumacher – Adam Smith’s ‘Two Distinct Benefits’ from Foreign Trade and the Dead-End of a Smithian ‘Vent-for-Surplus’ Theory .....	183
Régis Servant – F. A. Hayek's "calculus of consent" .....	184
Matthew Smith – Ricardo the ‘Logician’ versus Tooke the ‘Empiricist’: on their different vital contributions to classical economics .....	185
Jean Solchany – From economic theory to Kulturkritik : the German neoliberal Wilhelm Röpke facing the « crisis of our time » .....	186
Dimitris Sotiropoulos – Derivatives before stochastic calculus: option pricing in the late 19th century .....	187
Sabine Spangenberg – Hermann Schulze-Delitsch and German Liberalism .....	188
Richard Sturn – Challenges in the History of Public Economics .....	189
Robert Sugden – Consumer's surplus for consumers with incoherent preferences.....	190
Claudia Sunna and Manuela Mosca – Heterogenesis of Ends: Herbert Spencer and the Italian economists .....	191
Sophie Swaton and Roberto Baranzini – The Walrasian conception of the social economy: a state of persistent confusion .....	192
Susumu Takenaga – Ricardo coming to Japan (from the interwar period studies).....	193
Luca Tedesco – Gino Borgatta and fascist economic autarky .....	194
Pedro Teixeira – Multiple Purposes, Loose Ends: The Stabilization of the Expression Human Capital (1900-1964).....	195



Nicholas Theocarakis and Michalis Psalidopoulos – Disparaging liberal economics in 19th century Greece: The case of “The economist’s duck” .....	196
Alex Thomas – Classical Economics and the Question of Effective Demand .....	197
Shigeki Tomo – Menger’s Exclusion: The reason for him to be non-Walrasian .....	198
Hans-Michael Trautwein – Some International Aspects of Business Cycles (and Structural Change): Neisser, Haberler and Modern Open Economy Macroeconomics .....	199
Gianfranco Tusset and Francesco Cendron – Central banks and democracy. Words as attractors .....	200
Richard van den Berg – Simple Economic Fictions in Daniel Defoe and Richard Cantillon .....	201
Filip Vancura – A critical overview on the work of Prof. Ota Sik .....	202
Rudi Verburg – Adam Smith and Rousseau’s critique of commercial society: towards the darker side of the desire for distinction .....	203
Adrien Vila – The role of firms in Irving Fisher’s analysis of the economic dynamics in the Purchasing Power of Money (1911) .....	204
Bruno Vilagra – Manuel Joaquim Rebelo: Theories About Goods and Labour Value, and the Liberty of Economic Agents .....	205
Daniel Diatkine and Benoît Walraevens – Vanity, trinkets, and corn: some smithian difficulties .....	206
Amos Witztum – The Economics of Ethics and the Ethics of Economics in Adam Smith .....	207
Manuel Woersdoerfer – Ordoliberalism Facing Socio-Economic Crises .....	208
Vladimir Yefimov – Two disputes of methods, three constructivisms, and three liberalisms .....	209
Satoshi Yoshii – Great Transformation to Simultaneous Determination System -The Turning Point of a View on Economics- .....	210
Alberto Zanni – A critical interpretation of the relation Pareto-Walras .....	211
Abdallah Zouache – Business cycles, the financial crisis and growth: an essay on the failure of Lucas’ modelling strategy .....	212

## The Methodology of Samuelson's Non-Substitution Theorem

*Amanar Akhabbar*<sup>\*\*</sup>

With his revealed preference theory (RPT), Samuelson intended to offer “operational” foundations to neoclassical consumer theory by getting rid of unobservable or ill-conceived psychological arguments like, especially, introspection. According to Samuelson, RPT is operational inasmuch as utility functions are now based only on observable elements, namely prices and consumed bundles of goods. In this article, we show that the same methodology was implicitly applied by Samuelson to neoclassical production theory, and especially the production function. After defining and discussing Samuelson’s operationism, we offer a methodological interpretation of Samuelson’s “non-substitution theorem” (NST) as an operational theorem. We aim at showing that the same methodology rules RPT and NST: while in RPT observable elements are bundles of goods consumed, in NST these elements are bundles of inputs consumed so as to measure technical coefficients; from observable choices by consumers and producers, one derives the corresponding behavioral or technological function, respectively the utility function and the production function. Therefore, both functions are operational concepts that offer operational foundations to both standard microeconomic analysis of consumption through indifference curves (deduced from the utility function), and to analysis of production through isoquants (deduced from the production function). Although Samuelson’s application of his operational-methodology-to-consumer theory has been studied at length, its application to production theory has been neglected.

---

\* ESSCA School of Management, amanar.akh@gmail.com.

## **Pacifism of the French liberals in the late 19th and early 20th centuries / Frédéric Passy and Léon Walras, candidates for the Nobel Peace Prize**

*Alain Alcouffe and Fanny Coulomb\*\**

An idea is wrongly existing in the collective unconscious: that in which the first advocates of economic liberalism, British Classical economists, were convinced that trade was a factor for peace and that the spread of free trade would eradicate war. In recent times, F. Fukuyama's theory on the "end of history" used this idea, among others.

However the first Classical economists were much less definitive, on this issue, than is generally thought. In fact, neither Smith nor Ricardo nor Malthus said anything definitive about it. And Ricardian and Malthusian analyzes are so pessimistic about the long-term future of capitalism (reaching steady state, scarcity of food resources ...) that the idea of peace through free trade cannot be attributed to them. Only a current, one inherited from Jean-Baptiste Say, promised an end to war by spreading the liberal model (Frédéric Bastiat in France). This current, advocating radical measures (end of the army, unilateral disarmament) in the late 19th century, was accused of naivety, notably by J.M. Keynes.

In the second half of the 19th century, while the free-trade is expanding and the world economy becomes "globalized", militarism is more prosperous than ever, particularly because of the colonial expeditions. This apparent contradiction will push some liberal economists to consider that international peace is not a given but can only result of a change in minds, through a proactive pacifist action. The role of liberal economists in "leagues for peace" and "international peace conferences", very successful on the eve of the First World War, is decisive.

In France, a liberal economist became a prominent figure of the European peace movement: Frédéric Passy, who recommends education as a means of fighting against the militaristic tendencies. But an even more famous economist has had a central role in the development of the peace movement: Léon Walras was in fact convinced that his scientific theory would strongly contribute to the establishment of the world peace. As Passy, Walras applied to the Nobel Peace Prize. However, only Passy, the Liberal who wanted to outlaw war, won the award in 1901.

---

\* Université de Toulouse 1, [Alain.Alcouffe@ut-capitole.fr](mailto:Alain.Alcouffe@ut-capitole.fr); and Université de Grenoble, Institut d'Etudes Politiques, [fanny.coulomb@iepg.fr](mailto:fanny.coulomb@iepg.fr).

## **The Role of Agents' Propensity toward Conformity and Independence in the Process of Institutional Change: Links between Veblen and Hayek**

*Angela Ambrosino\*\**

This paper analyses institutional change and Veblen's work (1907, 1914, 1919) under the perspective of cognitive economics (Egidi and Rizzello, 2003, 2004; Ambrosino 2013). Particularly it focuses on two interesting issues of Veblen's theory of economic change: 1. In Veblen's view habits are both mental habits and behavioral habits and they play a twofold role in economic change because they seem to be particularly relevant both as elements of propensity, and as forces of resistance to change (Hodgson, 2004). 2. Veblen gives an exhaustive definition of instincts and habits but he does not completely explain the cognitive processes that bring changes and evolution in social habits. He develops an economic theory at the base of which there is an evolutionary view of reality and a deep awareness of the role of the human mind within the decision-making processes of choice.

This paper is aimed at analysing both issues using interpretive tools from psychology and discussing the role of agents psychological propensity toward conformity and toward independence in explaining institutional change. The central idea is that if we better encompass the theory of conformity and independence developed in psychology (starting from Asch, 1952) in the analysis of economic institutions (Ambrosino 2014, 2012, 2006), we can better explain institutional change. Conformity is the effect of the pressure of social group on agents' behavior. That concept can contribute to explain resistance to change. On the other hand, psychology shows that agents are also subject to mechanisms of independence. These are key elements in explaining behavioral change. It would be argued that the analysis of Veblen's instinct-habit concept under this perspective shows interesting connection between Veblen and Hayek's ideas of economic change. Hayek's concept of evolution based on psychological and neurobiological aspect, in fact, seems to be a contribution of great significance both in explaining the dual role of habits in institutional change and in understanding individual mechanisms that bring to change in social customs and habits. This explanation seems, finally, allow detecting the presence of a close link between the thought of Veblen about economic change and Hayek's economic theory, due to the common awareness of the centrality of human behavior and cognition, and of role of interaction between past experience and instincts in the processes of change.

JEL classification: B15, B20, B25; B52, B53

Keywords: Institutional change, Old institutional economics, cognitive economics, Veblen Hayek.

---

\* university of Eastern Piedmont, [angela.ambrosino@unito.it](mailto:angela.ambrosino@unito.it).

## Equilibrium Theorizing in Statu Nascendi: Cantillon's Lessons

*Oleg Ananyin*<sup>\*\*</sup>

Richard Cantillon is said now to be a precursor of quite different and in other respects hardly compatible traditions of economic thought. It should not, however, be surprising so far as he was the first to erect a theoretical system in economics, and most of later theorizing followed his lead borrowing his inventions unaware of the origins. After Cantillon's "Essai" was rediscovered, and his place in the intellectual history was reestablished, it appeared quite natural to find links with his ideas within different traditions of economic thought. The problem is that usually such links are quite selective.

The paths of later economic theorizing diverged, as well as frameworks for assessment of Cantillon's legacy. Fragmented structure of contemporary economic knowledge creates fragmented vision of its history. Equilibrium theorizing is a crucial case in this respect. Cantillon's system captured this method in statu nascendi, when underlying abstractions were not yet taken for granted, and the elements of the approach were not yet separated from each other.

The paper is intended to reconstruct Cantillon's use of equilibrium approach in its integrity and to reassess its later interpretations from this vantage point. As his benchmark Cantillon, and later theoreticians after him, assumed economies in some static, or natural, or equilibrium state. Unlike this first step his further analysis was followed much more selectively. In the "Essai" equilibrium state is conceived as a circular flow model with characteristics fully determined by two basic factors: land available for cultivation, and 'landlords manners' representing final demand. To make this deterministic model relevant Cantillon placed it into a framework assuming uncertain environment and mechanisms of adaptation to uncertainties. Population dynamics, entrepreneurial activity and market forces were most important of them.

To distinguish Cantillon's equilibrium theorizing from later versions three points should be stressed. First, his general vision combines determinism and uncertainty, and the dichotomy of real and monetary factors serves as its close theoretical counterpart; second, his circular flow model is determined independently of market forces; and third, natural, or equilibrium state is explained without not only any recourse to mystical "invisible hand", but without normative connotations as well.

---

\* Higher School of Economics, National Research University, ananyin@hse.ru.

## Adam Smith’s natural prices, the gravitation metaphor, and the purposes of nature

*David Andrews*<sup>\*\*</sup>

At least since Alfred and Mary Paley Marshall’s *The Economics of Industry* (1879), Adam Smith’s “natural price” has been interpreted as a “normal price” or “center of gravitation price” based on the famous gravitation metaphor of Chapter 7 of Book One of the *Wealth of Nations*.

The Marshalls took the gravitation metaphor to mean that natural price is natural in the sense that it is the price that would result if competition were truly free, unobstructed by monopoly or government regulation, and could also therefore be called normal price, appealing to a sense of natural opposed to that which is produced artificially.

A similar interpretation has been adopted by a number of more recent writers on classical political economy who argue, following the interpretation of Pierangelo Garegnani, that the centre of gravitation mechanism plays a crucial role in Smith’s theory of natural price, writers including John Eatwell, Murray Milgate, Geoffrey Harcourt, Tony Aspromourgos, Heinz Kurz and Neri Salvadori, Ian Steedman.

This essay has three purposes, the first of which is to criticize this interpretation of Smith’s gravitation metaphor. For Smith, it is not a Newtonian metaphor for the attractive character of natural price, but rather an Empedoclean or Aristotelian metaphor for the pattern of movement of market prices, in which natural price serves merely as a reference point.

A second purpose is to present an alternative interpretation of Smith’s natural price based on his understanding of nature, in the context of his assertions that the goals of nature are the self-preservation of individuals and the propagation of species, goals humans pursue with divided labor under bonds of mutual dependence, facilitated by exchange and hence prices. The natural price of a commodity is the price that supports nature’s goals by providing for the maintenance of those who participate in production and supply in a manner that is just sufficient for these activities to continue indefinitely.

The third purpose of this essay is to highlight the similarity between natural prices construed in this way and the prices of Piero Sraffa’s *Production of Commodities by Means of Commodities*. Although Sraffa moves beyond Smith in a number of ways, he begins with from similar assumptions, taking as given a society with divided labor, addresses the same problem of mutual dependence among members of such a society, and reaches similar conclusions, invoking exchange and prices as the solution.

---

\* State University of New York at Oswego, david.andrews@oswego.edu.

## **The role of technical and social factors in the distinction between necessities and surplus: Sraffa on and after classical economics**

*Richard Arena* \*\*

The purpose of our paper is to analyse how Sraffa tried to understand the role of, and frontier between technical and social necessities in different productive systems, and therefore also the real meaning of the concept of surplus. Our investigation will concern Sraffa's interpretation of classical economics as it mainly appears in his *Lectures on the Advanced Theory of Value* (1928-1931). It will also focus on Sraffa's own economic theoretical advances, especially as they emerge in his published but also in his unpublished contributions.

When "writing" a Sraffian production system, what is the role played by techniques, or technical factors, on the one hand, and social factors, on the other, in the definition of the surplus? Is it the case that 'necessities' are determined by technique (or 'entirely objective') factors only, so that the distribution of the surplus can then only too be explained by a wide range of social, institutional and even political factors? Or do both, technical and social factors enter into the definition of the distinction between necessities and surplus?

The boundaries between what is technical and what is social in the definition of necessities, and therefore of the surplus, become fluid. That is, they depend on the institutions, rules and conventions that govern social compromise and conflict between competing claims on the surplus, within and between social classes. Seen thus, Sraffa's concern with concrete institutions and conventions that govern a specific (changing) society – the capitalism of his day – might occupy a more systematic place in his overall research project than simply an additional, lesser known but fascinating, interest. From this perspective, it would seem expedient to further reflect on how an (as) objective (as possible) analysis can be achieved of the distinction between what is (and what is not) truly necessary, in terms of both technical and social factors, to ensure the realisation of productive activities, in the various possible surplus-based societies.

Now, in our paper we will consider how Sraffa interpreted the various answers given by classical authors as Petty, Quesnay, Smith, Ricardo, Torrens, J.S. Mill, Senior for instance but also how he himself formed his own view in his different contributions in the fields of price theory, of industrial organization but also of finance.

---

\* university of nice-sophia antipolis, arena@unice.fr.

## **A Re-Examination of Hayek's Disputes and Agreements with Keynes Concerning "Interventions" in the Economy: 1924 to 1946 versus the 1970's**

*Arie Arnon\*\**

A Re-Examination of Hayek's Disputes and Agreements with Keynes Concerning "Interventions" in the Economy: 1924 to 1946 versus the 1970's reviews the interactions between the two scholars in the years up to Keynes's death, focusing on their attitudes towards "interventions" in the economy and compare them to Hayek's views in the 1970's. In the early 1930's during the first round of their famous public exchange, one of them was a young, up-and-coming scholar and the other, a well-established don. In spite of the fiery tone of that exchange, the differences between the Hayek of Monetary Theory of the Trade Cycle (1929) and Prices and Production (1931), and the Keynes of A Treatise on Money (1930) are less substantial than they may seem today. Their more significant differences, though still not the ones separating modern "Keynesians" and "Hayekians," started after 1936 and were mostly discussed between them privately.

Their divergence on matters of economic analysis and economic policy after 1936 reflects the separate paths taken by the two scholars: in 1936, while Keynes outlined an economic theory, based on economic arguments, that defended "interventions," Hayek - having growing reservations about the knowledge economists could have - started developing a philosophical argument that led him both away from doing strictly economics and crusading against "interventions". Thus, the gulf between the two during those years reflects disputes about methodology rather than just economics. The discrepancies between the economist's approach and that of the methodologist, who had become disillusioned about the ability of economics to add to knowledge, were significant; however, they too do not reflect the current perception of a colossal gap on policy issues between the two thinkers until 1946.

The modern perception of Hayek and Keynes as sharp antagonists in economics, particularly concerning 'interventions' in markets, belongs more to the 1970s, thirty years after Keynes's death, when the Nobel Prize winner Hayek turned again to economic subjects, promoted "free banking," and was a major figure in the economic and political debates over the upcoming neoliberal agenda.

---

\* BGU, arnona@bgu.ac.il.



## Keynes, Lerner and the Question of Public Debt

*Tony Aspromourgos*<sup>\*\*</sup>

This paper examines Keynes's views on public debt, taking as its point of departure, his 1943 confrontation with Abba Lerner on this issue. It also exhaustively considers the wider intellectual relationship between the two men, as well as Keynes's other commentaries on public debt in the 1930s and 1940s. The paper concludes that the key issue distinguishing Keynes's rather more cautious view of feasible and desirable public debt trajectories, vis-à-vis Lerner's position, is Keynes's attentiveness to the psychology of the debt markets, which is, in turn, an expression of his sensibility towards theory versus practice.

---

\* University of Sydney, [tony.aspromourgos@sydney.edu.au](mailto:tony.aspromourgos@sydney.edu.au).

## Kalecki: a figure at the intersection of Marx, Wicksell and Frisch

*Michaël Assous and Paul Fourchard\*\**

The aim of this paper is to show that Kalecki mostly interacted, in the early 1930s, with three kinds of groups, each with its own vision and political background. The first was a socialist community; the second was a group of high-level academia and monetary economists connected to the main Polish academic journal *Ekonomista*; the third was a group of econometricians. In reality, these groups were not impermeable but instead that they overlap. The main contribution of this book is to reveal that Kalecki was the main link between these groups, making him eventually an economist at the crossroads of Marx, Wicksell and Frisch.

---

\* University of Paris 1 Panthéon Sorbonne, michael.assous@univ-paris1.fr; and University of Paris 1 Panthéon Sorbonne, paul.fourchard@gmail.com.

## Controlling exchange rate during WWI: Liberalism versus State Intervention in the Italian case

*Marianna Astore*<sup>\*\*</sup>

The First World War, as it is well known, generated significant systemic changes and instability in the economies of the countries involved. With regard to Italy, the abnormality of economic life, among other consequences, affected the level of exchange rate, especially after the battle of Caporetto (October 1917), when the Italian Army suffered major losses in terms of prisoners taken and equipment lost. Urgent measures had to be taken in order to face this situation. So, the government and specifically Francesco Saverio Nitti - as Minister of Treasury – decided to found the so-called INCE (Istituto nazionale per i cambi con l'estero), establishing a monopoly on the exchange rate. At first, the institution was created for a limited duration; indeed, its activities should have had to stop six months after the end of the war. Instead, INCE kept on working without interruption in the following years and, experiencing several reorganizations during its life, it became, as an emergency solution, an institutional and permanent tool for the management of the Italian economic policy.

The fall of the lira generated a strong and relevant debate, that involved both policy makers and the most important Italian economists, such as Riccardo Bachi, Luigi Einaudi, Maffeo Pantaleoni and Vilfredo Pareto. This working paper deals with it. Firstly, it focuses on the coeval explanations concerning the Italian currency's depreciation. Secondly, it analyzes the broader debate between liberalism versus governmental intervention about the currency policy, with special reference to INCE's foundation. What emerges is a substantial difference in understanding the role of the State and the one of the market, even in a such peculiar context like the one of the WWI.

The research is being carried out mainly on primary sources – coming above all from the Italian Central State Archive in Rome – and from the historical archives of the Bank of Italy, and on selected coeval economic literature.

The idea behind the article is that the study of economic thought is strictly linked to the study of economic events. Facts, theories, policies are so interdependent factors that investigating their complex relationship could be very useful not only in the History of Economics, but also in Economic History.

---

\* Università Politecnica delle Marche, m.astore@univpm.it.

## A model of man for economic liberalism

*Vladimir Avtonomov*<sup>\*\*</sup>

Systems of political economy (using Schumpeterian term), which we can call liberal, can be characterized by specific models of man. Under economic liberalism we understand political programs promoting minimization of government regulation and grounded on the laissez-faire principle. As examples we are going to use “The Wealth of Nations” by Adam Smith, works of Frederic Bastia, new Austrians (von Mises and von Hayek), Walter Eucken and German ordoliberalists.

These models of man form ontological premises for theories proposed by liberal economists and probably for policies advocated by them. Such models include:

1. imperfect information, principal non-transparency of economic system for its members which doesn't allow any individual to manipulate it effectively
  2. the central place of self-interest in human motivation, which doesn't include other people's interests or “social preferences”,
  3. within self-interest the motives of liberty and independence are given the leading role compared with utilitarian motives of well-being. Any concession to utilitarianism could lead to a possibility of centralized correction of individual priorities for the sake of individuals themselves.
  4. no excessive level of individual rationality which corresponds with point 1.
  5. certain will-power which makes their behavior consequent which is necessary to satisfy the requirement 3.
- Economic liberalism is intimately connected with “sociological individualism” (using another Schumpeter's term). This means that it has two enemies: superindividual preferences and manifestations of multiple selves which are being studied by behavioural economics and recently were used in policy recommendations of the so called “new paternalism”. So an individual according to economic liberals should withstand not only social pressures but also the influence of multiple selves with different objectives. If individuals lack intellect or will-power to choose the best variant for satisfying their preferences they should at least prefer liberty over well-being. Otherwise an allegedly benevolent protectionist state could have an opportunity to “nudge” them.

---

\* Higher School of Economics Moscow, vavtonomov@hse.ru.

## **Responsibility as a factor of performance in the duty of lieutenancy- an interpretation of the motivation for work according to John Calvin**

*Caroline Bauer\*\**

A previous article, presented in London at the last conference of ESHET, highlighted that the reformed Genevan theologian John Calvin justified a commitment without limit in work in response to a duty called lieutenancy, duty to manage the earthly good as if it was in the place of God. This duty leads to a research of prosperity and social justice. The exam of the apparent analogy between the duty of lieutenancy and a principal agent contract has demonstrated that the hypotheses of the asymmetry of information and the dissociation of interests that characterizes the P/A contract doesn't apply to the lieutenancy.

This article analyzes further Calvin's justification of work by showing that, if lieutenancy can't be assimilated to a principal-agent contract, it also uses the metaphor of a contract in the same goal to optimize the performance of agents in a set of delegated activities. The objective of this paper is therefore to describe the mechanism of lieutenancy in the terms of organization theories to specify its specific features and the ground of its efficiency.

The lieutenancy relationship has some common dispositions with the theory of agency in so far as it introduces a link of causality between individual motivation for work and collective performance. These dispositions lead to a lower agents' risk aversion and to an alignment of their own interests on the principals. We describe them in the first part of the paper, showing that they are in conformity with most accepted propositions on greater efficiency in an agency relationship (Eisenhardt 1989).

However, a major distinction resides in the absence of means of controlling the agent's opportunity in the lieutenancy. Yet this control of opportunism is an founding principle in the agency relationship. We present in the second part that lieutenancy in contrast is based on auto-control by the agent himself of his behavior and his performance. But it raises the question of the convergence of interests between the agent and the principal: which disposition in lieutenancy is then able to guarantee it?

On this aspect lieutenancy is close to a neighbor theory: stewardship theory (i.e. Davis et al. 1997). Its basic hypothesis makes useless the control of the opportunism of the agent. Yet an important distinction between the agency and stewardship theories can be found in the way that individual responsibility with respect to the collective is considered either internal or external to the contract. According to Davis & alii, the stewardship relationship does only apply to a certain model of man, the one who freely chooses a cooperative attitude and turns away from his own interests. The issue of our third part is to show that the lieutenancy generalizes the responsibility motive, considering it applicable to every man and justifying any search for performance.

Davis, J.H., Schoorman, F.D. & Donaldson, L., 1997. Toward a Stewardship Theory of Management. *The Academy of Management Review*, 22(1), p.20.

Eisenhardt, K.M., 1989. Agency Theory: An Assessment and Review. *Academy of Management Review*, 14(1), p.57-74.

---

\* University of Strasbourg, cybauer@wanadoo.fr.

## A utility reading for the history of welfare economics

*Antoinette Baujard*<sup>\*\*</sup>

Welfare economics has evolved during the twentieth century and came, some say, to a fateful dead end, preventing any rigorous contribution to policy recommendations. This trend is standardly explained by the controversy over the possibility and the relevance of interpersonal comparisons of utility. This analysis does not provide any hope to go beyond the bad news. Moreover, it fails to explain the possibility of a new welfare economics without comparisons.

Against the interpersonal comparisons reading, I claim a reasonable assumption is that under the discussion on comparisons, lies a fundamental evolution in the properties of utility.

This paper presents a historical overview of the evolution of welfare economics through the XXth century. It derives a challenging explanation, the "utility reading". It shows the evolution of welfare economics is related to the characteristics of utility, notably its operational ability and its normative content. The paper concludes that the revival of welfare economics needs a specific notion of welfare, distinct from the utility concept used in microeconomics.

---

\* Université Jean Monnet / Université de Lyon, antoinette.baujard@univ-st-etienne.fr.

## Rethinking self-love. Beyond selfishness and approbation of others in Adam Smith thought

*Michele Bee* \*\*

In his article about the history and the stages of the current debate of the Adam Smith Problem (JHET, 25, 1, 2003), Leonidas Montes writes that "there is general consensus" about the meaning of self-interest and that the problem has always played and still plays on the interpretation of the concept of sympathy. In fact, once clarified this sense, everything seemed to fit: the sympathy does not match the sentiment of benevolence, but rather the ability to be touched by the feelings of others.

Therefore, it is not in contradiction with the self-love, which is the focus of the *Wealth of Nations*.

This interpretation of sympathy has allowed to establish that: self-love is not, for Smith, the only feeling that leads to action, but also sympathy and other sentiments; that self-love is, however, moderated by the judgment of the impartial spectator; and finally, that because of the self-love everyone is seeking the approval of others (also internalized by the figure of the impartial spectator), so it is not an individualistic sentiment, because it brings into play others and their judgements.

However, this solution of the problem does not take account of the fact that the work of Smith consists precisely in an attempt to think in an original way not only the sympathy but also the self-love. The *Theory of Moral Sentiments* ends, in fact, with the effort to achieve this goal. The self-love is neither simple selfishness – though veiled by prudence, i.e. by the right to favour himself or the nearest – or simply the seeking of the approval of others. For Smith, self-love is – first of all – the research of the self-approval, namely the approval of the impartial spectator.

On one hand, most of the interpreters of Smith suggest that this approval represents the internalization of social norms and of the judgment of others. But on the other hand, Smith shows in a very clear way that it comes from the autonomous judgment that matures in each one thanks to the sympathy and the continuous contact with the feelings of others. Actually, in his critique of Hobbes' rationalism, Smith shows that, in his view, general rules that give rise to social norms are the result of these independent judgments, not their origin.

The Adam Smith Problem has so far been considered resolved by clarifying the meaning of sympathy. The aim of this paper is first and foremost to show that another possible solution lies in a different interpretation of self-love.

With the support of Smith's works, his correspondence and his lessons, and comparing the extensive secondary literature on the subject, this paper explores the way in which, according to Smith, self-love is built into each of us, and reads the smithian liberalism from this point of view. In this precise interpretation, self-love can really be considered as the main motive of the action, without being in contradiction with the *Theory of Moral Sentiment*, which, indeed, is on its foundation.

---

\* University of Lausanne, [michele.bee@unil.ch](mailto:michele.bee@unil.ch).

## Financial Institutions and Liquidity of Public Debt in England [1694 – 1720]

*Nesrine Bentemessek Kahia and Jérôme de Boyer des Roches\*\**

The methods England took to restructure its public debt during the British Financial Revolution consisted of improving liquidity. Accordingly, the State sought to reestablish its solvability by basing its debt on tax revenues as well as to homogenise it, reduce its cost and improve the functioning of the primary and secondary markets of the debt. Finally, it favoured the creation of new institutions, i.e., the establishment of companies with stocks whose commercial and/or financial activities would be connected to its debt. The Bank of England and the South Sea Company, created in July 1694 and September 1711 respectively, are two prime examples of this. In this article, we highlight the role of these two financial institutions in the process of the creation of liquidity through the restructuring of the national debt. We establish the fundamental differences between the financial experiments led by these two establishments. Indeed, if the project of converting the titles of national debt into shares of the South Sea Company led to the creation of the South Sea Bubble, the circulation of short-term government bonds (exchequer bonds) by the Bank of England after 1707 constituted an unrivalled financial success. Finally, we discuss the diverging commentaries of Hume (1752), Steuart (1767) and Smith (1776) on these financial experiments.

---

\* Université Paris Est Créteil, nbentemessek@gmail.com; and Université Paris Dauphine, jdbdr@free.fr.



## **The commercial pendulum, tradequakes and financial tempests. Metaphors for crises in the 19th century**

*Daniele Besomi*<sup>\*\*</sup>

This paper examines the 19th century usage of metaphors for describing various phases of commercial and financial crises. The survey of metaphors is organized by families (meteorological, marine, astronomical, mechanical etc.) and by the role they play within the four basic interpretative approaches to crises as compared to the working of the economic system.

The first perspective ('crises approach') treats crises as disjoint consequences of exogenous or political perturbations. The prevalent metaphors used to describe such events were the destructive effects of natural catastrophes (storms, quakes, ebbing tides), which emphasize the surprising and unexpected occurrence of disruptions, the universality of distress they caused, and the aberrant character of crises; the latter is also stressed by means of the reference to diseases. The 'fluctuations approach' to crises interprets them either as the result of the customary fluctuations of trade, either by cumulation in particular circumstances or by amplification due to some institutional constraints. Writers in this tradition resorted in particular to tides and pendulums, stressing their oscillatory character yet within the tendency to return to equilibrium.

The 'recurrent crises approach' stresses the recurrent nature of crises. It was by far the richest in the century. The periodical recurrence of crises was represented by means of the images of tides and waves, while stricter periodicity and even predictability was called for by periodical comets. Crises were seen as the result of the cumulation of excesses during the prosperous phase. This was represented by the gathering of impurities in the air eventually generating storms, the accumulation of snow generating avalanches, and the feverish character of speculation. The role of crises was indeed that of cleaning the atmosphere by weeding out bad businesses; this was made necessary by the growing and spreading instability of prosperity (brought by gambling addiction and vortexes eventually leading to explosions, collapsing building with sandy foundations or rotten beams) turning into accelerating disasters, spreading like wildfire, eventually bringing the system back to normal until a new spark would generate other excesses.

Finally, the 'cycles approach' interprets crises as a phase of a complete cycle, described by a circular causation where each phase generates the next. Writers in this tradition did not much resort to metaphors, apart from illustrative references to waves, alternating seasons and pendulums. Later, when this approach became the dominant one, the use of analogies was resumed; not much, however, to represent their fundamental understanding of the subject but with an analytical function as a support to specific mechanisms and models.

---

\* University of Lausanne, [daniele.besomi@unil.ch](mailto:daniele.besomi@unil.ch).

## Social Comparisons and Individual Welfare: Back to James Mill

*Victor Bianchini*<sup>\*\*</sup>

A reason for which in economics we care about social comparisons is that they are related to our individual welfare. James Mill's discourse on decision making, in line with what would today be understood as associationist psychology, gives new insights into such a relation. This paper explains the rationale of Mill's discourse in order to provide a Millian theory of social comparisons. These latter arise from what he considered as the usual components of interest: wealth, power and dignity. According to Mill, the way in which social comparisons influence our individual welfare depends on how we compare ourselves to others. When we endeavor to surpass others in a vicious way, social comparisons produce either pleasure or pain to ourselves, and pain to others; when we endeavor to surpass others in a virtuous way, social comparisons tend, under certain conditions, to generate only pleasure to ourselves and to others.

---

\* University of Paris 1 Pantheon-Sorbonne, victor.bianchini@univ-paris1.fr.

## **On Keynes' vision for the international monetary order and global finance in light of his theories of effective demand and liquidity preference**

*Joerg Bibow*<sup>\*\*</sup>

This paper investigates how the theories of effective demand and liquidity preference inspired Keynes' vision for the international monetary order and global finance and the respective policy proposals developed by Keynes in the context of designing the post-war Bretton Woods order in the early 1940s. We begin with a brief synopsis of the theories of effective demand and liquidity preference and how they relate to policymaking in the closed-economy context of The General Theory model. We then discuss the critical policy dilemma of aligning national autonomy and international stability as seen by Keynes in his monetary writings. Next, we analyze the challenges to managing effective demand and liquidity preference in a global setting, which provides the background for our discussion of how Keynes proposed to meet these challenges in his "bancor plan". We end with some reflections on the actual monetary order agreed at Bretton Woods and evolving role of the US dollar. We argue that there is a great degree of consistency between Keynes's policy proposals for the post-war global order and his insights in monetary theory as crystallized in his theories of effective demand and liquidity preference. Moreover, while his proposed move from gold to bank money was principally focused on overcoming deficiencies and conflicts as experienced in pre-war regimes, the specific design of his proposed bancor regime also correctly anticipated many deficiencies and conflicts as experienced in the post-war era.

---

\* Skidmore College, [jbibow@skidmore.edu](mailto:jbibow@skidmore.edu).

## Was international trade theory a wertfrei one? Three different approaches: Sismondi, Ferrara and Pareto

*Fabrizio Bientinesi\*\**

The possibility of a wertfrei theory concerns whole economics (Weber). Nevertheless, for reasons strictly connected to the historical development of economic knowledge, international trade theory is a field of economics where wertfreiheit assumed a very high relevance. Scholars offered a wide set of analysis on this topic, which can be grouped around two main positions. The first, described by Gottfried Von Haberler, according to which «it is not the task of science to make value-judgements, nor is it in a position to do so. It cannot, for example, demonstrate that Free Trade is the “correct” trade policy» (G. Von Haberler, *The Theory of International Trade* cit., p. 213). The second, supported, among many others, by Jacob Viner who wrote: the original exponents of the doctrine of comparative costs were not interested in it solely, or even primarily, as a piece of “pure” theorizing, of “price” or “wertfreie” economics. They developed the doctrine in order to get a rule of conduct, and they made the doctrine the basic element in their advocacy of free trade and their condemnation of protection» (J. Viner, *The Doctrine of Comparative Costs*, “Weltwirtschaftliches Archiv”, 1932, p. 401).

The paper aims to analyse – from this point of view – the views on international trade theory of three economists: Jean-Charles Sismonde de Sismondi, Francesco Ferrara and Vilfredo Pareto. Three different economists, two of them with strong links with Switzerland, and three different intellectual and analytical paths. Sismondi began his career as an economist with an orthodox Smithian approach – although with some original views – and eventually developed an heterodox and very peculiar intellectual framework where free trade, economic and political freedom were no more tightly tied. Free trade was no more than a expedient to dump overproduction and free capital movements were only a tool to keep a firm grip on former colonies. Ferrara, on the contrary, was a fervent free trader for all his life. His thought was essentially based upon a preanalytical vision: Freedom was essential for men, and there could be no actual freedom without freedom of trade. Political economy clearly demonstrated this truth and economic policy had to follow the enlightened path. He was one of the most perfect examples of *forma mentis* described by Joan Robinson: «Free Trade became the hallmark of an economist; protectionist belonged to the lesser breeds without the law». Pareto developed his interpretative frameworks on international trade starting – just like Sismondi – from deep heterodox roots. This time, the roots were not Smithian but Ricardian ones: the comparative cost principle was one of the cornerstones in his analytical building. His *Cours* was thus an uncompromising condemn of all barriers to trade: protection was, from a pure economic point of view, a destruction of wealth and, from a moral point, a kind of brinkmanship. His judgement on this topic changed over the years. In his *Manuale* (1906) Pareto suggested the famous paradox of “bread and coral”: theory could always assure an unconditional mutually efficient trade. Furthermore, protection could have positive effect on economy, fostering entrepreneurs – and thus investment – against demagogic policy. From Viner to Haberler, single ticket.

---

\* University of Pisa, [fabie@ec.unipi.it](mailto:fabie@ec.unipi.it).

## **The first European Econometric Society Meeting, September 1931, Lausanne**

*Olav Bjerkholt\*\**

The idea of an econometric association was conceived in Europe in 1926, the organization meeting of the Econometric Society (ES) took place in the U.S.A. in 1930, while the first ES meeting was convened in Lausanne at the end of September 1931. The venue was deliberately chosen to honour Walras and Pareto. The meeting was hastily prepared and had few participants. The Lausanne meeting established the tradition of European Econometric Society Meetings (ESEMs). The paper gives an account of the meeting with excerpts from the exchange between Council Members of ES in 1931. The participation, paper topics and the emphasis on paying homage to econometric pioneers at the Lausanne meeting is set out. The Econometric Society was the first international organization in economics. At the end of the first year ES had 163 members distributed over residents in 19 countries. The multi-language, multinational character of the original venture of bringing together scholars in Europe who shared an interest in the econometric program generated a series of ESEMs of considerable importance for the development of econometrics, until it subsided as a result of sombre political events. The paper is part of a history project within the Econometric Society.

---

\* University of Oslo, [olav.bjerkholt@econ.uio.no](mailto:olav.bjerkholt@econ.uio.no).

## Some considerations on the influence of economic liberalism in the May Revolution of 1810

*Alfredo Blanco* \*\*

The revolutionary process of May 1810 in Buenos Aires, capital of the Viceroyalty of the Río de la Plata, and its emancipatory consequences has a multiplicity of causes. The French Revolution, the independence of the United States, changes in the European countries' economies, which took place during the mid-eighteenth century, changes in the countries' economic and social relationships and their subsequent evolution constitute the context in which the events of this Spanish colonial territory occurred. Capitalist ways of economic organization in Europe have their roots buried in the sixteenth century, but in South America the dominant system after the age of "discoveries" was the feudalist one, which characterizes many of the existing relations in the American colonies despite its process of decomposition and the emergence of absolutist national states in Europe.

In this historical context, the growing influence of liberal ideas, both political and economic, play an essential role in the revolutionary events. The new political ideas of European intellectuals together with the advent of works on the "new science", political economy, are the matrix of revolutionary thought. The opinions of Manuel Belgrano, Juan Hipólito Vieytes and Mariano Moreno, among others, are the key to understand the economic perspective of the revolutionary men. Late mercantilists, physiocrats and classical economists (mainly Spanish, British and French) marked these men's economic thought. The relative economic "backwardness" of the metropolis, its political reality and the social and political consequences this had for the Viceroyalty were a catalyst for the revolutionary process but also a limit which was reflected on disputes and debates among the protagonists of that historic moment.

Changes of intellectual paradigms, the crisis of the colonial economy, the gradual emergence of institutions that would then characterize modern capitalism, political events in the Iberian Peninsula and the action of the "Men of May" gave birth to the new reality, although it did not happen without tensions and internal contradictions. The purpose of this paper is to review intellectual influences, mainly in the field of economics, based on the opinions of the main protagonists of that feat, as well as to consider some of the positions, (some more radical or eclectic than others), who decisively contributed to the end of the Spanish colonial system in South America.

---

\* UNIVERSIDAD DE CORDOBA, [alfredoblanco@eco.uncor.edu](mailto:alfredoblanco@eco.uncor.edu).

## Analogy, metaphor and direct integration in Nicholas Georgescu-Roegen's bioeconomics

*Roxana Bobulescu and Ina Chong\*\**

Nicholas Georgescu-Roegen's bioeconomics, a pioneering work in the field of ecological economics, may also be called an « exosomatic evolutionary theory ». Inspired by the ecologist Alfred Lotka, the author depicted economic activity as an extension of biological functions through the use of exosomatic organs (computers, mobiles, cars...) that complete the endosomatic organs (legs, hands, brain...).

He dismissed the mainstream economic theory for using a static, mechanical analogy in building up the conditions for economic equilibrium in hypothetical markets. In his view, that was an erroneous way to describe the evolving, institutionally embedded economic activity. In a marshallian vein, his claim may be viewed as a call for a more appropriate analogy to replace the mechanistic neoclassical theory, which would be a biological one. Together with thermodynamics, biology would furnish economics better tools for dealing with resource depletion, adaptive behaviour, biosphere limits and population effects.

Hence, the question that our paper arises is: can we consider Nicholas Georgescu-Roegen's contribution as a narrative, based upon metaphors and analogies that break with the prevailing mechanistic paradigm and sustain an alternative bioeconomic paradigm?

To answer this question, we shall consider metaphors and analogues as natural images and rhetoric mechanisms in the economic field. Then, we will search for such rhetorical forms inspired by thermodynamics and evolutionary biology in the author's works. By doing this, we argue that besides such metaphors, he attempted to make a direct integration of physical and biological elements into the economics field, although he didn't make any explicit distinction between analogy and direct integration. We intend to fill this gap by shedding light on this integrative, open system approach. Thus, we can state that due to the integrative endeavour, his theory goes further than analogues in the interdisciplinary direction. Nicholas Georgescu-Roegen provided a fund-flow production process including waste and time transformation effects. He also built up the link between the entropic nature of economic processes and our biological evolution, stating that it is our survival as specie that is at stake and that the goal of all economic activity is the "enjoyment of life".

His open system approach includes not only biophysical elements, but also historical, cultural, all encompassing institutional frames, that he considered as equally important in shaping economic behaviour.

---

\* Grenoble Ecole de Management, roxana.bobulescu@grenoble-em.com; and Grenoble Ecole de Management, ina.chong@grenoble-em.com.

## Before macroeconomics: Pareto and the dynamics of the economic aggregate

*Mauro Boianovsky*<sup>\*\*</sup>

Pareto based his interpretation of business cycles on a disaggregated general equilibrium system with dynamics determined by frictions (or “inertia”). The present article investigates his interpretation of the motion of the economic aggregate, in the sense of the set of individual consumers and producers forming the economic system in general equilibrium. Did Pareto develop a representative agent model *avant la lettre*? This is discussed from the double perspective of Pareto’s interpretation of the synchronism of economic “vibrations” and his rejection of the analytical relevance of the Robinson Crusoe economy. He was aware that the general equilibrium system could not provide a practical method of solving the equations for each and every individual. This has been called the “Cournot problem” in the literature, as Augustin Cournot was the first to state it. Pareto reacted to that problem by defining economics as the study of average phenomena involving large numbers in repeated markets. This paper is part of the special session “Vilfredo Pareto: Two Recent Milestone Publications”, organized by Pascal Bridel.

---

\* Universidade de Brasília, mboianovsky@gmail.com.



## Liberal economic thought in Republican China in the 1930s

*Olga Borokh*<sup>\*\*</sup>

Intellectual scenery in China of the 1930s was unfavorable for liberalism due to widespread support of state intervention in economic development and protectionism in foreign trade perceived as favorite tools of accelerated industrialization and resistance to external economic pressure. The paper focuses on the ideas of two most prominent Chinese liberal economists of that period: Gu Yiqun and Tang Qingzeng. Both were exposed to Western economic thought, however they developed different approaches to adaptation of liberalism in China.

Gu Yiqun accepted basic ideas of leading liberal economists like Mises and Hayek. He underlined that only markets were capable to allocate resources effectively and no planning could meet human demands that were becoming more and more diverse. Gu Yiqun rejected the Soviet-type planned economy; he also criticized trade protectionism and supported China's openness and integration into the world economy. This type of straightforward transplantation of Western liberalism to China had ignited debates about the dangers of conservation of backwardness due to overconfidence in market mechanisms and fairness of international trade. Tang Qingzeng proposed more complex liberal approach that took into consideration the factors of Chinese traditions and existing institutions. He claimed that laissez faire policy would help to deal with capital shortage by encouraging savings and investment driven by profit-seeking motivation of individuals. Tang's arguments in favor of liberal economic policy were based upon his researches in the history of ancient Chinese economic thought. He claimed that the most successful Chinese rulers of the past led the nation to prosperity by following the principles of non-interference into markets. The scholar asserted that clinging to traditional ideas of equal distribution of wealth and economic self-sufficiency would harm China's economic progress. In the discussion about modernization of China in 1933 Tang Qingzeng was the only participant who had openly sided with the path of individualism instead of socialism or state capitalism. Tang believed that socialist redistribution was applicable only for the developed countries that suffer the consequences of income differentiation. Therefore China should begin with accumulating wealth by capitalist "individualistic" means to deal with the task of industrial development. Like Gu Yiqun, he was highly skeptical about the performance of Soviet planned economy.

Gu Yiqun and Tang Qingzeng criticized state intervention in the economy from the standpoint of liberalism, their views opposed the ideas of "controlled economy" that dominated Chinese economic thought and policymaking in the 1930s. The paper concludes with the attempts to trace the significance of their approaches in the history of Chinese economic ideas.

---

\* Russian Academy of Sciences, Institute of Far Eastern Studies, borokh@hotmail.com.

## John Locke and an economic state of nature: mercantilist or liberal?

*Céline Bouillot*<sup>\*\*</sup>

John Locke is considered as the founder of the political liberalism because of his several philosophical treatises (e.g. "Second Treatise of Civil Government" (1690)). However, his economic essay "Some considerations of the consequences of the lowering of interest, and raising the value of money" (1691) introduces some ambiguity on the status of this author, which needs for a deep clarification. Such an ambiguity is crucial to determine the prerogatives of the government in the society since the status of Locke, namely mercantilist or liberal, will strongly affect our perception of those prerogatives.

In this article, in order to clarify this issue, I choose to lay the emphasize on the central role of money in Locke's works. This assumption leads me to the conclusion that Locke is a mercantilist from an economic perspective in agreement with previous commentators (e.g. Macpherson (1962)) but in disagreement with others (e.g. Vaughn (1980)). An insightful discussion of the works of those two important commentators is proposed to stress the weak points of their arguments.

In particular, in disagreement with previous authors, I demonstrate that the introduction of money in the state of nature provokes a conflict between owners divided into "Landed Men" and "Monneyed Men" in the Lockean terminology. I further show that this transition from a state of peace to a state of unrest leads to the establishment of a government whose role is to avoid the evolution of the conflict into a state of war. I propose that this is achieved by ensuring that an optimal quantity of money is circulating in the kingdom. Those two original conclusions constitute the main differences from previous commentators and strengthen the mercantilist status of John Locke, thus opening new questions on how the government can rule over this optimal quantity of money.

---

\* PHARE, celine.bouillot@hotmail.fr.

## Mandeville vs. Smith: Luxury, Opulence, Market Growth, and the Wealth of a Nation

*Dirk Brantl\*\**

Bernard de Mandeville's Fable of the Bees long had the reputation of being an immoral and cynical view on the English society of his time. Even Adam Smith condemned Mandeville's as a "licentious" system of moral philosophy. This comes as a surprise given the obvious parallels between the scandalous Dutchman and the Scottish father of modern political economy. Both analyze the economic status quo of their times, both see political regulations as obstructive of the advantages of a market society, both consider the wealth of the collective unit to profit from the achievements of industrialization and the division of labor. I argue that an important distinction can be found when turning towards the categories used by both authors when treating of the wealth of a nation. Smith subsumes the whole of political economy as aiming at procuring opulence. While the word does appear in the Fable of the Bees, Mandeville makes much more of the notion of luxury, an expression usually denounced by Smith.

As Smith is arguing about the removal of international trade barriers and political regulation with a view to the total as well as distributional side of wealth, opulence, while ultimately founded on the human propensity to truck, barter, and exchange, is the result of an uninhibited, natural development of economic action within an appropriate political framework. Mandeville, on the other hand, considers human beings to be both selfish and with natural potential for a complexity of desires, which complexity, however, is not itself natural but will develop over time.

Another difference is that while Smith often argues from a developmental divide, comparing the opulent commercial society of his time with what he considers barbaric and savage societies, Mandeville argues for the necessity of a refined sort of barbarism in which the wealth of a nation might rest on a multitude of poor laborers – no mention is made of them being wealthier than the king of an uncivilized nation – hence concentrating on societal inequalities where Smith takes a sort of Pareto-superiority of market over non-market economies for granted.

Finally, when Smith speaks of luxury, he does so from the point of view of the moral philosopher very much rooted in philosophical tradition while trying to give this traditional content a new and scientific (in his times, this means psychological) foundation. Mandeville's "licentiousness" lies both in his scandalous, i.e. Hobbesian psychology, and in his positive view on luxury as a necessary evil to the end of creating opulence. These distinctions, I will argue, ultimately account for the fact that luxury needs to be cultivated in Mandeville's system: Opulence does not derive from a mere removal of regulatory boundaries but needs to be cultivated. This, in turn, renders Mandeville the more modern of the two thinkers economically, as he seems to be more aware that the wealth of a nation depends not so much on the satisfaction of desires but on the creation of new desires to be satisfied. Opulence and with it the wealth of a nation is based on a multiplication of desires which, though morally blameworthy, must not be politically inhibited unless the very goal of political economy would be sabotaged.

---

\* Karl Franzens University, Graz, [dirk.brantl@uni-graz.at](mailto:dirk.brantl@uni-graz.at).

## Limits of arbitrage and interest rates: A Debate between Hawtrey, Hicks and Keynes

*Lucy Brillant\*\**

This paper studies a debate between Hawtrey, Hicks and Keynes dealing with the determinants of the yield on Consols, mentioned in the 1930s as the long-term rate of interest. Hicks and Keynes shared different beliefs than Hawtrey on the influence of the central bank over the long-term rate of interest. On the whole, in the debate we note a disagreement on the relevance of arbitrages, and also on the risk taken by the central bank. In our first section, we study Keynes's view on the power of the central bank. Indeed, in his *Treatise on Money* (1930), and then in his *General Theory* (1936), Keynes was convinced that the central bank can manage the long-term rate of interest either indirectly, by lowering the discount rate in order to finance arbitragers, or directly, by purchasing long-term maturities on financial markets. Our second section deals with Hawtrey, who rose in *A Century of Bank Rate* (1938) objections against Keynes's thesis. Despite Hawtrey mentioned before Keynes, in *Currency and Credit* (1919), that the central bank had an effective control over the short-term market, he did not believe that the discount rate can decisively impact the long-term rate of interest. This is due to the weak impact of arbitrages on the yield on Consols. Therefore, the central bank had very little impact over the long-term rate of interest. He gave several arguments based on history supporting his view in *A Century of Bank Rate* (1938). Our third (and last) section presents how Hicks integrated the debate on the yield on Consols in *Value and Capital* (1939) and in an article of the Manchester School of Economic and Social Studies (in June and december 1939) only one year after the publication of Hawtrey's book. Within *Value and Capital* (1939), Hicks supported Keynes's monetary ideas. In the Manchester School of Economic and Social Studies (june 1939), Hicks wrote a review of *A century of Bank Rate* (1938) which provides an historical analysis from 1858 to 1936 on the determinants of the long-term rate of interest. Hicks tried there to convince Hawtrey that the power of the central bank on long-term maturities is greater than what he thought. Hawtrey replied in the same journal to Hicks twice (in December 1939). Several interesting elements appear in Hicks and Hawtrey's replies. First, Hicks presented others forces which impact the long-term rate of interest, when arbitrages do not operate anymore. Second, Hawtrey did not change his stance on the weakness of the monetary policy as a tool for the central bank to manage the liquidity of financial markets.

---

\* University of Paris1 Panthéon-Sorbonne, [lucy.brillant@gmail.com](mailto:lucy.brillant@gmail.com).

## **The Firm: the Role of Hierarchy and Market in Coasean and Marxist Tradition**

*Andrea Cabello*<sup>\*\*</sup>

This paper analyzes the concept of the firm under a Coasean tradition and, considering Hodgson's (1999, 2001) methodological contribution on the subject, compares recent views of what it is a "firm" to Marx's view of the capitalist production process, with special focus to hierarchy in production. Some compatible points are found and the limits of both the firm and the market and the role of division of labor within the firm and in society are discussed.

---

\* University of Brasilia, andreaafc@gmail.com.

## **Liberalism In Between Europe And China: an economic dilemma**

*Gilles Campagnolo* \*\*

The contribution by Gilles Campagnolo will deal with the concepts of liberal civil society and the various types of market-enhanced economy. It raises brings contemporary concerns such as those recently stressed by WTO when rebuking China's application to be reckoned as a "market economy". But they are here examined in historical perspective, debated in terms of interpretations and implementation of "Liberalism" in China. An essential tension makes sense between political and economic development, that in turn requires attention to Western origins of concepts now used internationally and possibly confronting Chinese values. Inasmuch as some regard Liberalism as indeed being a Western Ideology, some structural correlation is often assumed between Economic Liberalism and Political Liberalism, as well as between Capitalism and Democracy: it goes at a par with the assumption that the more developed the economy in one country, the freer the persons living in this country. Now, does Liberalism truly work as a Western Ideology? This is a historical and philosophical issue.

---

\* CNRS/Aix-Marseilles University (Aix-Marseilles) School of Economics, gilles.campagnolo@univ-provence.fr.

## **Liberalism In Between Europe And China (introduction and generalities)**

*Gilles Campagnolo* \*\*

The contribution by Gilles Campagnolo will deal with the concepts of liberal civil society and the various types of market-enhanced economy. It raises brings contemporary concerns such as those recently stressed by WTO when rebuking China's application to be reckoned as a "market economy". But they are here examined in historical perspective, debated in terms of interpretations and implementation of "Liberalism" in China. An essential tension makes sense between political and economic development, that in turn requires attention to Western origins of concepts now used internationally and possibly confronting Chinese values. Inasmuch as some regard Liberalism as indeed being a Western Ideology, some structural correlation is often assumed between Economic Liberalism and Political Liberalism, as well as between Capitalism and Democracy: it goes at a par with the assumption that the more developed the economy in one country, the freer the persons living in this country. Now, does Liberalism truly work as a Western Ideology? This is a historical and philosophical issue.

---

\* CNRS/Aix Marseilles School of Economics, gilles.campagnolo@univ-amu.fr.

## The German Historical School, protectionism and liberalism

*Jose Luis Cardoso and Michalis Psalidopoulos\*\**

The German Historical School and its legacy in Europe is an important chapter in the evolution of economic thought in the 19th century. The purpose of this paper is to analyze the views of members of the German Historical School as these were disseminated in other European countries, especially as far free trade and protectionism are concerned. The thesis of the paper will be that, especially in Southern Europe, a variant of liberal economic thought can be identified, from 1890 to interwar, namely a liberalism with historical linings that was open to protectionism.

---

\* University of Lisbon, jcardoso@ics.ulisboa.pt and Fletcher School/Tufts University and University of Athens, mpsal@econ.uoa.gr.



## **E. B. Wilson and the establishment of the first course of advanced mathematical economics at Harvard in the mid-1930s: a story that intertwines mathematics, social sciences and economics**

*Carvajalino Juan\*\**

E. B. Wilson was an American mathematician, educated around 1900 at Harvard, at Yale and at the École Normale Supérieure in Paris. He regarded science as unified whole, with the use of mathematics and statistics providing its very foundation. He lay emphasis on the importance of the immediate usefulness of applied mathematics, as opposed to what he regarded as the futile beauty of pure mathematics of the Hilbertian German kind. He cared about facts, and thought his more empirical emphasis represented better the American way of doing mathematics. It was with this attitude toward mathematics that Wilson tried to bring together the social and natural sciences.

During the 1920's, Wilson's personal involvement in simultaneously Section K of the American Association for the Advancement of Science and in the recently created Econometric Society contributed to the rapprochement of the international community of mathematical and statistical economists and the community of American scientists. At the request of H. H. Burbank and P. Sorokin, respective heads of the departments of economics and sociology at Harvard, Wilson started offering in 1931 a course on statistical economics, and in 1932, a course on quantitative problems of population intended to complement L. J. Henderson's and C. Curtis' one-year seminar on Pareto and Scientific Methods. Around the same time, Wilson tried unsuccessfully to convince his fellow American mathematicians O. Veblen, G. Evans and R. Richardson to organize an American institute for the development of mathematical economics. In 1932, he then began promoting the establishment of a course on mathematical economics within the department of economics at Harvard, prompting Burbank to establish a committee composed of Wilson himself, J. Schumpeter and L. Crum to evaluate the plausibility of such a course. Wilson offered this course for the first time during the Winter of 1935.

Following R. Backhouse's and P. Fontaine's (2010) call for studies contributing to the neglected history of the interactions between economics and other social sciences, and following R. Weintraub's insight about the importance of reconstructing narratives about the intertwined historical developments of mathematics, social sciences and economics, our research in the history of economics focuses on Wilson's work, life and career. In our narrative, Wilson's personal involvement within the AAAS, the Econometric Society, the Harvard community gravitating around J. Henderson and both the sociology and the economics departments at Harvard, as well as his failure to convince his fellow mathematicians to develop mathematical economics, all help to explain the emergence of the first course in advanced mathematics for economists at Harvard. The course's most lasting influence came through P. Samuelson, who, having attended Wilson's course, eventually committed himself fully to the Wilsonian mathematical approach. Samuelson's *Foundations of Economic Analysis* (1947) extensively reflected Wilson's influence, and emphasized questions that had been the focus of attention in Henderson's group, such as the existence and stability of social systems.

---

\* UQAM, carvaja5@gmail.com.

## **Sismondi's reception among nineteenth-century French socialists, 1840-1850**

*Edward Castleton*<sup>\*\*</sup>

This paper will discuss how Sismondi's writing was interpreted by various French socialists in the 1840s, notably the Fourierist, François Vidal, and Pierre-Joseph Proudhon. It will address how Sismondi's writings were filtered through the various exegeses of French liberal political economists, and how his ideas were assimilated within the framework of a particular set of problems having to do with technological innovation and machinery, population (and the reception of Malthus in France), wages, landed property, and trade (free trade versus protectionism).

---

\* Université de Franche-Comté, elcastleton@gmail.com.

## Not Beautiful, Not Just, Not Virtuous; 'And It Doesn't Deliver the Goods'. Capitalism and Fear of Goods in Keynes's Thought

*Mario Aldo Cedrini and Anna Maria Carabelli\*\**

It is well known that Keynes expressed admiration for mercantilists in chapter 23 of the *General Theory*. There, he referred to the Heckscherian concept of “fear of goods” to synthesize mercantilists’ success in perceiving “the existence of the problem without being able to push their analysis to the point of solving it”. Positively impressed by their awareness of the strictly “nationalistic” character of their policies, Keynes praised mercantilists for having drawn attention to the notions of overproduction, insufficient aggregate demand and money hoarding, as well as to the non-self-adjusting tendency of the rate of interest and the idea that scarcity of money can lead to unemployment. Still, what mercantilists saw as the solution was to Keynes part of the problem, if not one of its most troublesome manifestations, and rather a more general issue, transcending the specific realm of international relations, of capitalism itself as an economic system (an unjust system which may eventually fail even to deliver the goods).

Offering a view of the other side of the liquidity-issue in Keynes’s thought, the paper wants to elaborate on the significance of the notion of “fear of goods” to his economics, and to show that, since Keynes saw in it an inborn propensity of a monetary economy of production (wherein the barter analogy is an illusion), the development of his theoretical arguments and proposed policy instruments may be considered as reactions to the “fear of goods” of capitalism. Focusing on the numerous evidences of this phenomenon in Keynes’s economics, we suggest that, in Keynes’s thought, the concepts of risk and uncertainty are key to understand the “fear of goods” of capitalism, and that if *laissez-faire* produces this fear, it is exactly because of markets’ inability (deriving from absence of forward or specialized markets, or, when these latter exist, from their short-period organization) to bear the risk, which may be enormous, of holding redundant stocks of goods and commodities, despite the “tremendous pressure” they exercise, according to Keynes, on the market. We then show the importance of these reflections in explaining the rationale of Keynes’s suggestions of “concerted actions”, as he defined them, for both domestic economies – aiming at reducing the effects of the fear of goods on investment decisions (causing difficulties or impossibilities to tolerate stocks of durable as well as liquid capital goods) – and the global architecture. As concerns this latter, we explore the connections between Keynes’s advocacy of managed money, his proposals of internationally managed commodities (buffer stock schemes) and his attempt to devise (Schachtian) models of international adjustment fostering a return to a vision of international trade as “a means for trading goods against goods” within the more general framework of a new international order intended to protect policy space from the most harmful effects of globalization.

---

\* Università di Torino, [mario.cedrini@unito.it](mailto:mario.cedrini@unito.it); and Università del Piemonte Orientale, [anna.carabelli@eco.unipmn.it](mailto:anna.carabelli@eco.unipmn.it).

## Karl Pribram's liberalism of compromise

*Guenter Chaloupek\*\**

Karl Pribram (1877-1973) is known among economists as author of the voluminous History of Economic Reasoning, published posthumously 1983. In this book Pribram set himself the task to trace the influence of “conflicting patterns of thought” in the development of economic theory from the 13th century to the present. The first publication in which he put forward this approach was a study on Die Entstehung der individualistischen Sozialphilosophie (The origins of the individualistic social philosophy) of 1913. There he juxtaposed universalistic thinking (realism) of medieval theology with Occam's nominalism. During the following centuries, nominalistic epistemology became the basis of emerging social and economic theory as it emancipated itself from theology. In the thinking of Locke and Hume nominalism is closely intertwined with the individualistic approach which is the basis of political liberalism and the theory of modern democracy and also of liberal economic policy. While liberalism came to dominate economic and political thinking in Western Europe and in the New World in the 19th and 20th century, Pribram points to the continued influence of forms of universalistic, anti-individualistic approaches in Germany and in Eastern Europe. In the economic sphere, Pribram identified the German Historical School as a modified form of realism in economics (called “organismic”) which considered the state (or the Volk) as an entity of its own right, played down utilitarian maxims and equilibrium as analytical concept. Later Pribram added “dialectic reasoning” (Marxism in its various forms) as a separate pattern of economic thinking rooted in a distinct epistemological approach. If the universalistic approach and the individualistic approach are epistemological and methodical opposites, as a consequence there is a sharp contrast not only between patterns of economic thinking, but also between the respective concepts of economic policies (and, more generally, of economic and political systems) based on those different paradigms. But unlike his contemporary and compatriot Ludwig Mises, with whom he had organized a discussion circle in Vienna before World War I, and who followed a similar methodical approach, Karl Pribram was not an advocate of pure economic liberalism in the political sphere. As an economist, Pribram was primarily interested in analyzing theoretical developments, restraining himself with judgements. As a liberal, he thought that nominalistic reasoning had “a remarkable capacity to enter into combinations of various kinds with other patterns of thought”. Hence, with respect to policy issues, he advocated a combination of market mechanism and social policy.

---

\* Chamber of Labour (retired), guenter@chaloupek.eu.

## Liberalism as a principle of coordination for “extended order”

*Irina Chaplygina* \*\*

Liberalism is a philosophy that expresses “importance of independent individual thought and action”. It produces a specific mode of social communication.

Liberal universal values of an individual create specific language for interpersonal dialogue that makes a liberal society different from a traditional one. They form the notions for individual identification without reference to any social structure or personal relations. So this enhances social ties and, at the same time, induces appearance of horizontal links (important element of modern “social capital” notion).

In economic literature which analyses the genesis of modern economy we can find an idea that the enlargement of economic ties was decisive. The concept of “extended order” belongs to F. Hayek. In his works the expansion of economic relations aggravates the problem of information. In this new situation of dispersed knowledge people were forced to change their “natural or instinctual responses”. Moral values were changed from altruism to egoism. Free-market mechanism replaced traditional method of social coordination, which was based on trust and regulation.

At the same time we can evidence another interpretation of this evolutionary process, according to which the expansion of economy first of all increases risks. New unknown world, new alien agents, who have another jurisdiction, social and moral rules produce this new level of economic risk. In this situation, as was noted by J. Hicks in “Theory of economic history”, merchants are forced to create a new system of relations based on voluntary mutual recognition of each other's rights, i.e. universal and horizontal principals of identification. The problem of new risk was also emphasized by J. Commons, who noted in his “Legal Foundations of Capitalism”, that “the person engaged in business requires new and enlarged assistance of the collective power, as against the assistance needed to follow his occupation for private use, and this carries reciprocal new and enlarged duties to the public which assists him”. It means new legal system which could “release” private initiatives by removing these new fears.

More detailed analysis of this topic can be found in the work of D. Nort, J. Wallis, B. Weingast (“Violence and Social Orders”), where “open order” is directly associated with impersonal universal principals of recognition. My report is dedicated to the investigation of theories, which represent liberalism as a response to the challenges of the new “extended order”.

---

\* Lomonosov Moscow State University, igch@yandex.ru.

## Milton Friedman on Racial Discrimination: a Historical Perspective on Chicago liberalism

*Cléo Chassonnery-Zaïgouche*<sup>\*\*</sup>

The objective of the paper is to outline Friedman's position on racial and gender discrimination in a historical perspective. Friedman co-supervised Gary Becker's dissertation on *The Economics of Racial Discrimination* defended in 1955 and devoted an entire chapter to racial discrimination in *Capitalism and Freedom* (1962). He was also active in the political debate on anti-discrimination measures via conferences and newspapers' columns.

Friedman thus contributed to the neoclassical theory of discrimination by expanding Becker's taste-based model. A taste (or preference) for discrimination is different from a “regular” taste to the extent that the concept of discriminatory taste implies a value judgement on the content of the taste. This judgement stem from the fact that one does or does not share this taste. Friedman enlarges Becker's trade model by adding a specific view on individuals' sovereignty: even if a majority of individuals see the preference as discriminatory, the government must remain neutral. In this perspective, only competitive forces are to eliminate discriminatory practices.

The first section present Friedman's analysis of discrimination and compare it to Becker's seminal contribution (section 1). This analytical position is merged with the public position defended by Milton Friedman in the debate over anti-discrimination legislations during the 1960's -- where he essentially advocated against forced desegregation, against equal opportunity legislations and, later, against affirmative action measures (section 2). Friedman's position on discrimination can be replaced into the debate over the role of markets in the advancement of minorities' economic status, where he reduces discrimination to a question of regulation by the market in the spirit of what he calls “benthamite liberalism” (section 3).

---

\* University Paris 1 Panthéon Sorbonne, cleo.chassonnery@univ-paris1.fr.

## Comparative study of Lippmann's and Hayek's liberalism (or neoliberalism)

*Francis Clavé\*\**

Walter Lippmann and Friedrich Hayek both took part in the Colloque Lippmann in 1938, a meeting aiming at the reconstruction of liberalism. Nowadays, this symposium is often seen as one of the starting points of neoliberalism. The purpose of this article is not to define what neoliberalism is or what marks the difference between liberalism and neoliberalism. It focuses on analyzing some key points of convergence and divergence between Lippmann's project and Hayek's one. For this study, mainly two major works will be referred to i.e. Walter Lippmann's *Public Opinion* (1922) and *Good Society* (1937) and two major works of Hayek i.e. *Constitution of Liberty* (1960) and *Law Legislation and Liberty* (1973-1979).

In the first part, points common to both men will be analyzed (evolutionism, importance of the reference to Greece of the 5th century BC etc.). Then in the following parts the differences on four key points will be studied: information and knowledge, economy (market and division of labor mainly), law, government and politics. Concerning the first point, if the information and knowledge is central to the thinking of the two men, their approach is very different. In a way, Walter Lippmann shows a more macro view on knowledge than Friedrich Hayek. That divergence irrigates their difference on the economic issue. The former, somewhat in the manner of Adam Smith, emphasizes the link between liberalism and division of labor and therefore the need to provide adequate information to the citizens of a Great Society where tasks are divided. The latter, in contrast, insists on the market as a place where individuals can use dispersed information known only by themselves. On the Law, behind an apparent similarity (the law is not a command), lies a profound difference. Lippmann though stresses on the human intelligence, studies and research have a greater importance than to Hayek in the discovery of the laws. Finally on government, while Hayek seeks to contain and minimize politics, Lippmann insists on the need of it in order to create social ties. That explains partially their differences on the need of social justice.

---

\* IRGEI Paris II, Clavé\_f@yahoo.fr.

## From Gide to Desroche: cooperation and utopia

*Alain Clément and Riccardo Soliani\*\**

Henri Desroche has been a great “cooperator”. Looking for “human” economy, where production is a way to enhance the social standard of living, he attained the principle of cooperation as an alternative to free market economy and socialist planning. This has been the final point and the synthesis of his cultural evolution, where Christianity and Marxism are melted. Charles Gide was one paramount reference of Desroche: the stern, terse scholar, descendant from a bourgeois, protestant family, inspired a great connivence in the catholic cooperator, born in a family of the working class, author of a (unpublished) *Dictionnaire des affectivités* (Koulytchizky 2000, 79) and also of a doctrinale biography of Gide. Indeed a convergency can be singled out between Gide’s “socialism associationist” and the sociology of economy and religions of Desroche (who was granted of graduation honoris causa in theology at Uppsala).

Desroche goes from the *économie coopérative* to the *économie sociale* just thanks to the relation with Gide’s reflections on the “institutions de progrès social”. Both of them hinge upon their strong moral conscience; from this, they put forward principles of radical reform of society. The good example is the main way by which such principles will prevail.

So Gide, as Desroche were influenced by the utopian socialists, especially Fourier: at the *Collège de France* Gide took courses on Fourier and “colonies communistes et coopératives”, whose contents, many years later, raised great interest in Desroche. They considered the utopian push essential in order to discover and set up the new social order, and for this reason they were criticized by liberals and marxists.

Our contribution wants to show how Gide’s thought has influenced Desroche and how both have contributed to the creation of a project of society based on solidarity, association, participation, on the basis always voluntary, never coercive. The critical reading of the Desroche’s work dedicated to Gide is the starting point for this comparison, which will invest several aspects of the overall thought of the two authors. In the final remarks, we advance some reflections on the real possibility of a radical reform of the economy and society from the power of example and by the change in consumption habits and organization of production within an oligopolistic economy.

---

\* University of Tours, [clement@univ-tours.fr](mailto:clement@univ-tours.fr); and University of Genoa, [soliani@mail.com](mailto:soliani@mail.com).



## John Law as a liberal economist and policymaker

*Stefano Condorelli\*\**

John Law's economic ideas are not easy to classify. Some of his theories and policies (when he was, in 1719-20, the head of the French India Company as well as the French minister of Finance) have been described as proto-monetarist (1), others as proto-Keynesian (2). So far, historiography has not highlighted another important dimension of his economic programme, namely liberalism. Considering the reforms he implemented in France, John Law can be regarded as one of the earliest advocates of economic liberalism. These reforms included: promoting commerce and industry nationwide, suppressing the 'maîtrises' and some of the guilds' privileges (thus allowing craftsmen to work freely), reducing custom barriers with foreign countries, eliminating them between French provinces, establishing free trade in grains, streamlining the fiscal administration and, last but not least, significantly cutting taxes.

Was there a theoretical grand scheme behind these policies? What kind of support did they raise, what opposition did they face? What was their legacy? These are the main questions that the paper will examine. John Law's ideas found in France little support and fierce opposition, probably because they were much ahead of their time, and certainly because they damaged the economic interests of many powerful economic actors. As a result, none of his reforms survived the crash of the Mississippi Bubble (summer 1720). However, the legacy was not lost. It could be argued, in particular, that Turgot liberal policies, in 1774-76, were strongly inspired by what John Law had done more than fifty years before.

(1) See for instance Antoin E. Murphy, *The Genesis of Macroeconomics: New Ideas from Sir William Petty to Henry Thornton*, 2009, p. 48.

(2) See Murray N. Rothbard, *Economic Thought Before Adam Smith*, 2006 [1st ed. 1995], vol. I p. 330; or Edwin B. Wilson, 'John Law and John Keynes', *Quarterly Journal of Economics*, vol. 62, 1948, pp. 381-395.

---

\* London School of Economics and Bern University, stefanocondorelli1@gmail.com.

## **Getting together to produce: from the need of reform to the justification by History. Comparative study of Buchez's and Pecqueur's social economy from 1830s to 1848's turning point**

*Clément Coste and Marie Lauricella\*\**

The years 1830's and 1840's are the scene of the development of socialist movements whose ambition is to create a social economy. Into the "nébuleuse socialiste" of the nineteenth century, republican socialism is singular, so are Philippe Buchez and Constantin Pecqueur. They are both disappointed by Saint-Simonism and they both open up to the Republican Socialism, influenced by Christian morals. The outlines of those theorists are close. Pecqueur and Buchez declaim to be both guided by Jesus' and Saint-Simon's morals precepts. Furthermore their moral positioning, those two authors shared a similar political experience. Indeed, 1848's turning point give them the opportunity to try themselves at political responsibilities: Pecqueur served on Luxembourg's Commission next to Louis Blanc and François Vidal; when Buchez was the president of the "Assemblée Nationale". The particularity of those two socialists is the willing of melting economy into morals and politics. It became necessary for them to think simultaneously socialism and republic (FROBERT 2014). So, the idea of association they promoted must be double-edged: it has to be a political and an economical association (ie "nationalisation" and "socialisation" according to Pecqueur). The association imposed itself as the principal issue of a period characterised by the paradoxical growths of industrialization and pauperism. However, the association doesn't require the same determinist approach according to Buchez and to Pecqueur.

By Henry De Feugueray, one of Buchez's followers, the aim of the association is to create "La République dans l'atelier". Based upon a contract written by Buchez, this organisation promotes equality and meritocracy between members through the election of the representative of the factory. This association of production is thought as a trial run of a future republic. The establishment of those organisations would be the result of a reform (I) contrary to Pecqueur's association which is the consequence of the history's law (II). In the introduction of the translation of the Marx's and Engel's *Manifest der Kommunistischen Partei*, Charles Andler writes in 1901 that Constantin Pecqueur is the first in France to establish a complete system of historical materialism (FROBERT 2014).

As proof, his work published in 1839 is rewarded by the Académie des sciences morales et politiques thanks to his reflexion about the impact of technical progress on economical and social organisation. The idea of association according to Pecqueur is the consequence of the introduction of new machines and new means of communication. The association is considered as inherent element of economical tendency.

The difference between those two conceptions, in the 1830s, lies in the origin of the association. According to Buchez, this new organisation of factories is a construction legitimated by the emergency of workers' living conditions. Instead, Pecqueur justifies the association by an historical materialism explaining that it is the last step of social evolution guided by technology. So, in the 1830s those two points of view are distant, as proof, Benoit Malon considers Pecqueur as the father of State collectivism. However, in the 1840s Pecqueur discovers workers' world and their worries, and the 1848's turning point provides him the occasion to address himself directly to them. Through Luxembourg's Commission, with the help of Blanc and Vidal, he promotes the creation of production cooperatives. The visions of both theorists matches since 1848, and *Le Salut du Peuple* (publications post 1848) testifies indeed of a link between Buchez and Pecqueur.

---

\* Université Lyon 3, clement.coste@ens-lyon.fr.; and ENS Lyon, marie.lauricella@ens-lyon.fr.

## On Irving Fisher's use of medical metaphors

*Annie Lou Cot\*\**

“[W]ith the exception of 1931-32, it seems that the depression has been, in each country, chiefly ruled by its changes of price level. And since we have found that these changes differ with different monetary standards, it ought naturally to follow that the virus of depression is carried from one country to another via a common monetary standard as the conduit. That is, one gold standard country infects another until they all come down with the depression disease, while those countries not on the gold standard are relatively immune. [...] The observation that depressions travel internationally [...] is not new. It may almost be called common knowledge. But the facts that the infection is carried chiefly via the monetary standard and that without such a conduit there is little infection are less well known” (Fisher, 1934, 16-18).

Three years after the 1929 crisis, in the Presidential Address he delivered at the American Statistical Association, Irving Fisher recognized his errors in analyzing the crash. “We are now going through an economic eclipse which began in September, 1929. But few if any economists predicted it, or, if so, they failed to make their predictions public. [...] It is well that we face these failures and that, when we fail, we confess it with due humility. I confess it. It is true that in September 1929, I publicly stated my belief that we were ‘then at the top of the stock market’ and that there would be a recession [...]. And this proved true. But unfortunately I also stated my belief that the recession would be slight and short; and this proved untrue. I can now see that my failure was due to insufficient knowledge of both kinds, scientific and historical. I did not then know certain scientific laws of depressions and I did not know, as well as I should, the historical background of conditions. [...] As to the laws governing depressions, I did not then know, what since I have learned and embodied in my book, *Booms and Depressions*, the important role of over-indebtedness and its tendency to break down the price level through distress selling, contraction of deposit currency, and slackening of its velocity.” (Fisher, 1933, 9-10).

This “debt-deflation theory of depressions” not only represented a change from his 1920s theory of economic fluctuations as a “dance of the dollar”: it also involved a shift from the type of metaphors and analogies which were commonly used by Fisher in his previous economic writings, from physical analogies to medical analogies. The metaphor also concerns the precise workings of the aggravation: as in medical diseases, the process of deterioration from cold to pneumonia could reverse the causality between the symptoms of the former and the symptoms of the latter, or between the propagation mechanisms from the former (the cold, or the debt disease) to the latter (the pneumonia, or the dollar disease).

The paper addresses the epistemological and normative consequences of this metaphorical shift. Notwithstanding the fact that Fisher had contracted tuberculosis in 1898, this new framework relates to two different themes. First, the role, already mentioned, of the milieu as an exogenous factor of both medical diseases and economic diseases: the instability of money would create the conditions for a depression in the same manner than the lack of fresh air creates the conditions for worsening a cold into tuberculosis. Second, a crossed correlation between ignorance and medical disease (here tuberculosis) on the one hand; money illusion, economic disease (dollar instability), poverty and medical disease (tuberculosis again), on the other hand. Hence a shift from an endogenous explanation of economic fluctuations to an exogenous explanation of business cycles, whose final cause would refer either to ignorance or to the poor quality of the public's “human capital”, leading to a low capacity to anticipate the future.

### References

Fisher, Irving. 1932. *Booms and Depressions*. New York: Adelphi.

Fisher, Irving. 1933. The Debt-Deflation Theory of Great Depressions. *Econometrica*, 1(4): 337-357.

Fisher, Irving. 1934. *Are Booms and Depressions Transmitted Internationally Through Monetary Standards?* 2nd printing with additions and corrections. New Haven, CT: Irving Fisher.

---

\* Centre d'économie de la Sorbonne, University Paris 1 Panthéon-Sorbonne, Annie.Cot@univ-paris1.fr.

## **An unnoticed “Swiss connection” in the dissemination of cameralist ideas during the second half of the 18th century**

*Alexandre Cunha*<sup>\*\*</sup>

The 18th century police treatises play an important role in transporting of mercantilist economic and political ideas in its encounter with the Enlightenment. Those books deal essentially of the means for the States to expand their power in harmony with the idea “good order”. This perspective, however, would be progressively refined in terms of the “promotion of the common happiness”, understood as something that strengthens the state and also come to the good of his subjects. In the 18th century, this notion of police could be found in many national contexts in Europe, but one can notice basically two main traditions for the treatises: the French one, of police regulations and the German one, that under the cameralism develops what is known as the science of police (Polizeiwissenschaft). From mid-18th century onwards, nevertheless, the idea of common happiness started to gain relevance, putting in evidence the problem of the conciliation of the happiness of the subject with the one of the state. In this sense, the study of police offers interesting prospects for the understanding of the transition of economic discourse under the Enlightenment, particularly in the national contexts marked by the enlightened reformism.

The present paper addresses this general question from a specific case study, the analysis of a well known (unsigned) police treaty published in 1781 in Yverdon and usually attributed to Francesco Bartolomeo De Felice: the *Elemens générale de la police d'un Etat*. This book had a great spread in continental Europe and was translated at least into Spanish and Portuguese. The content of the book, however, did not connects it with the tradition of the French police books, but instead, with the German ones. A careful investigation permits us to identify the book as in fact a (very) abridged version of a key treaty of Johann Heinrich Gottlob von Justi, the *Grundfeste zu der Macht und der Staaten Glückseligkeit* (1760/61), his most important police manuscript from which until now there was not any noticeable translation from German. The survey also showed that the author of this version of Justi's book was not De Felice, but the enlightened pastor and naturalist Elie Bertrand, one of the founders of the Library and the Economic Society of Yverdon.

In clarifying the effective origin of the book, and including an exploration of the trajectory of the author of the translation, Elie Bertrand, the present paper presents this unnoticed “Swiss connection” in the dissemination of cameralist ideas in Continental Europe, as well as contributes to the reflection into the actual meanings of Justi's book in terms of problem referred above of the conciliation of subject and State happiness within the context of enlightened reformism.

---

\* Universidade Federal de Minas Gerais, alexandre@cedeplar.ufmg.br.

## A few notes on the concept of 'felicitas publica' in 18th century Political Economy

*federico d'onofrio* \*\*

In this contribution I present a few notes on the concept of public happiness to the students of the history of political economy in order to clarify the meaning of “public happiness” in the 18th century Italian context. This clarification appears to be necessary because of the recent rise in popularity that the notion of happiness enjoys among economists and historians of political economy. Recently, in particular, some authors have identified Public Happiness as the distinctive trait of a continental, mainly Italian way of understanding political economy, stressing how understanding political economy as the science of achieving public happiness, as the Italians did, differed from understanding political economy as the science of increasing the wealth of nations. These authors insisted on the importance of rediscovering the lost art of “Civil Economy” as a more humane alternative to free market capitalism, in order to provide a theoretical framework within economics for non-profit activities , or even as an ambitious “foundation for an economic theory of civil society” associated with claims that before the peace of Westphalia “social evolution was much more complex and richer than the one characterizing modernity”. My contribution is a reappraisal of the concept of public happiness in the context of the Italian Enlightenment.

First of all, I want to clarify that by public happiness Muratori and Genovesi meant something very specific, namely the goal of a good Monarch. For Genovesi and Muratori, public happiness was a formula useful in asserting the rights of the Prince and the government over and above the rigidity of the legal system . It was obviously not the individual happiness of the members of the community but the final goal of the Monarch and his duty toward the Society. I have showed elsewhere by examining the image of China in the Neapolitan Enlightenment, how at least since the 1760s the political program of Genovesi and his pupils envisaged a strong government that would be able to pursue public happiness rather than be entrapped by the legal litigations of private interests. I also want to show that although public happiness resembles the Aristotelian ideal of *bonum commune*, it has also different characteristics and it actually originates in that sort of Aristotelian synthesis that we find in the German natural law tradition. The German tradition of Natural Law provided Muratori and Genovesi with an overall framework to understand these issues. Finally, I will show that Italian economists fell within a broader stream of thought that dominated Central Europe, and that their intellectual roots in the Natural Law tradition make them close relatives of the German Cameralists rather than the Scottish Enlightenment.

---

\* Yale University, donofrioinnl@gmail.com.

## The magic lantern of Coppet: commerce and “reciprocal” independence

*Francesca Dal Degan* \*\*

In the “light” of Coppet culture, Sismondi seeks the material to reinterpret the main ‘object’ of liberalism, the difficult, dangerous and fragile relationship between individuals and the social community within the context of a profound reflection on concrete liberties.

The complexity of Sismondi’s conception of liberty enables clarifying why it is simplistic to ascribe this author to the liberal tradition based on the mere fact of acting without compulsion and without external impositions. Such clarification fosters a better understanding of how his thinking may refer to values entrusted with the idea of a common good. Sismondi’s attempted to resolve the issue of conciliating different interests by marrying the Smithian vision of the role that interests play in supporting processes of economic and social development, with the ideas established in Coppet’s circle, in which Rousseau’s social contract theory was interpreted in favour of concrete participation in civil life. In particular, Coppet, like a « magic lantern », enabled reinterpreting the triptych of the French revolution, liberté, égalité, fraternité through the lens of Swiss cultural tradition, a culture with roots in an original conception of mediating instruments and spaces (institutions), that in the very fact of being “shared”, have the capacity to change society. Coppet’s group was a place for “forging politics of mediation” focusing on the role of social institutions for the achievement of liberty and well-being. In so doing it marks the emergence of a modern perspective that, by creating “systems of order that lay outside the political”, comes to challenge traditional authority. “Society” and individual systems of choices and actions, among which commercial economy, are the main places to be considered for institutional germination and change. In this sense, Coppet’s intellectual message corroborated the observation of Hirschman: “In the Eighteenth Century the idea that social order could be an important factor for human happiness became central and this idea connected itself with the modern conscience that happiness could be engineered by changing the social order”.

---

\* University of Lausanne, francesca.daldegan@unil.ch.

## The actuality of Schumpeter's program of research: from 1911 to Neo-Schumpeterian Growth Theory

*Muriel Dal Pont Legrand and Harald Hagemann\*\**

Abstract. Joseph A. Schumpeter never ceased to inspire new generations of economists. One of his major contributions concerns his view of business cycles and economic development as closely interrelated dynamics. In the 1990s, a literature emerged again which was dealing with the positive impacts recessions may have on growth (Aghion and Saint-Paul (1991, 1993, 1998) and Saint-Paul (1994) but also Caballero and Hammour (1994, 1996), developing respectively the so-called “productive recessions” analysis as well as the cleansing effect of recessions. More recently, one can notice in the literature a revival of interest for these questions. The objective of this paper is to question the ‘Schumpeterian character’ of the recent literature which examines the impact recessions can have on growth and then to question the degree of continuity as well as the differences between those literatures. Some focus will be on potential differences with regard to economic policy.

---

\* University of Lille 1 and CLERSE CNRS, [muriel.dal-pont-legrand@univ-lille1.fr](mailto:muriel.dal-pont-legrand@univ-lille1.fr); and University of Hohenheim, Stuttgart, [harald.hagemann@uni-hohenheim.de](mailto:harald.hagemann@uni-hohenheim.de).

## Pierre Werner A Visionary European and Consensus Builder

*Elena Danescu*<sup>\*\*</sup>

Pierre Werner was an economist and lawyer, a politician and diplomat — a man of many parts whose life spanned the 20th century. He was involved in academic circles, he was at the forefront of economic, European and transatlantic networks, and he was a prominent Christian Democratic intellectual. Throughout his decades-long career in politics, Werner was associated with the major issues in European integration, from the Schuman Plan of 1950 to the Fontainebleau European Summit of 1984. The wrangling over the seats of the European institutions, the Luxembourg Compromise, the enshrinement of Luxembourg as one of the permanent capitals of the European institutions, the consolidation of the Benelux and the Belgium–Luxembourg Economic Union (BLEU) — these are among the achievements to which he made a significant contribution. The political posts he held gave him the means to act, and his skill in bringing people together elicited commitment from those of his associates whose task it was to implement practical solutions. Going beyond the official side, Werner had a way of thinking about economic and monetary affairs — particularly European monetary integration — which was quite his own and was built up from personal ideas and contributions, developed in interaction with the academic and university worlds, to which he remained linked all his life. Above all, Werner's name is associated with the 1970 Werner Report, which laid the foundations for the single European currency.

This article adopts a historiographical approach based both on an exploration of the Werner family private archives, which have recently been opened for research purposes, and on original interviews with European figures. It highlights Pierre Werner's major personal contribution to the work of the group that he chaired, in terms of both method and substance, the international dimension and the securing of a political consensus. His vital input can be said to affirm his position among the ranks of the founding fathers of the euro

---

\* Centre Virtuel de la Connaissance sur l'Europe, [elena.danescu@cvce.eu](mailto:elena.danescu@cvce.eu).



## Reflexive economic agents and consciousness: The SLAM approach

*John Davis*<sup>\*\*</sup>

This paper uses a conception of reflexive economic agents to explore the generally unexamined subject of agent consciousness in economic decision-making. Standard neoclassical thinking about agents is mechanical and ‘flat’ in the sense that choice stems directly from preferences without reflection. Behavioral economics thinking about agents introduces hierarchy into the conception of the agent and the analysis of decision-making by incorporating reference points that orient agents’ choices. Reflexive agents, as employed in agent-based modeling, orient on themselves in their locations – self-reference – and employ this to revise their preferences in light of their effectiveness in regard to past choices. Endogenous preference in a conception of reflexive or hierarchically structured economic agents thus provides one way of explaining consciousness or self-awareness.

To isolate the main features of consciousness understood in this way, this paper examines research in mobile robotics in connection with attempts to develop SLAM capacities for mobile information-processing machines. SLAM is an acronym for ‘simultaneous localization and mapping’ or the capacity to act with immediate awareness of changes in one’s location. This paper uses the basics of SLAM research to provide a minimal explanation of consciousness for hierarchically structured reflexive economic agents. It argues that such agents are more like real-world economic agents than standard agent conceptions in economics, and that continued reliance on standard agent conceptions limits economics’ ability to explain a variety of market phenomena.

---

\* Marquette University, [john.davis@mu.edu](mailto:john.davis@mu.edu).

## Money and Foreign Trade in Ricardo (1809-1811) and in Ricardo (1817)

*Jérôme de Boyer des Roches\*\**

Over the last two centuries, the connection understood by David Ricardo between money and foreign trade has been widely commented on the basis of the 1809-1811 writings, notably le High Price of Bullion, Proof of the Depreciation of Bank Notes, of the 1816 Proposals for an Economical and Secure Currency, proposals taken again in the chapter 27 “On Currency and Banks” of the 1817 Principles of Political economy and Taxation, and of the 1823 Plan for a National Bank. On the other hand, the chapter seven “On Foreign Trade” of the 1817 Principles was ignored with the exception of J.W. Angell (1926), F.W. Taussig (1927), K. Kojima (1951), M. Blaug (1976), J. de Boyer (1992) et G. Faccarello (2013). Yet, according to Ricardo, the implementation of comparative advantage cannot be dissociated from the international distribution of precious metals, and the determination of the natural prices of wine and cloth. Therefore, the determination of relative prices includes monetary mechanisms. However, this chapter of the Principles does not simply resume the 1809-1811 Ricardo’s monetary ideas. Here, Ricardo used arguments that he criticized seven years before, and reconsidered the link between value of money and exchange rate.

The aim of this paper is to present and compare Ricardo’s monetary and foreign exchange analysis in the writings of 1809-1811 on one side, and in the chapter seven of his 1817 book on the other side. The second section recalls the main features of the 1809-1811 analysis. According to Ricardo, the value of money in two trading countries must be equal for the foreign exchange equilibrium to be reached. Several notions such as the price specie flow mechanism, the quantity theory and the criticism of Thornton’s gold point mechanism are emphasized in this section. The third section presents the theory of the comparative advantage developed in chapter seven of the Principles, there-including its monetary component that occupies more than half of the text. Emphasis is placed on the foreign exchange market, which had been analyzed by Ricardo with the gold points mechanism rather than the price specie flow mechanism, and also the dynamics of money prices and wages that led to the implementation of international specialization. The fourth section studies the disconnection established by Ricardo in chapter seven of the Principles between the values of currencies and exchange rates, then his comments relative to the bullionist controversy; these comments wound up the chapter. The fifth section provides some precisions on (1) the “magic numbers” – i.e. 80, 90, 120, 100 –, (2) on the assumptions made to obtain the money prices – i.e. £45, £50, £50, £45 –, so that the terms of trade/exchange are not indeterminate contrary to an opinion inherited from John Stuart Mill, (3) finally on the consequences of an innovation in the production of the English wine.

---

\* Paris Dauphine University, jdbdr@free.fr.

## Conceptualizing unemployment: a hard, long and unfinished journeytitle

*micHEL de vroey\*\**

- Neither Marshall nor Walras proposed a theory of unemployment. The first works on unemployment appeared in the first decades of the XX century due to Beveridge (1912), Hicks (1932) and Pigou (1933). They explained unemployment as resulting from impediments to the attainment of labor market equilibrium. They called it frictional unemployment — a nice expression but it had little content.
- Then came Keynes. He purported to explain involuntary unemployment as another type of unemployment cropping up on frictional unemployment. His project was very ambitious as he wanted to do general equilibrium analysis on a Marshallian basis while exonerating wages from being a cause of involuntary unemployment. Such a project was beyond Keynes's ability; no conceptual tools to achieve it were available.
- The next generation of macroeconomists considered that the main purpose of macroeconomics was still to explain involuntary unemployment. However, they abandoned Keynes's effective demand explanation, falling back on the more trivial wage rigidity explanation. While Keynesian macroeconomics witnessed important developments, backed by the arising of sophisticated econometric models, it hardly made improvements on the conceptual grounds.
- As a result, when attacked by Lucas, the initiator of new classical macroeconomics, Keynesian macroeconomists had little ammunition to defend their approach. It took only a few years for having Keynesian macro be dethroned by Lucasian macroeconomics, a move that can be viewed as the passage from a Marshallian to a Walrasian macro. The new paradigm being based on the 'equilibrium discipline', it excluded any occurrence of market non-clearing in its models. The object of analysis shifted from the study of unemployment to that of business fluctuations.
- Parallel to the unemployment theme being thrown away from macroeconomics, a theoretical revival of frictional unemployment theory took place under the name of search theory. Economists such as Diamond, Mortensen and Pissarides were the founding figures of the new approach. The motivation of search economists was to base unemployment theory on a more realistic account of the working of the labor market, by starting from the assumption that getting a job is a time-consuming activity, that a matching had to be solved, that the same market could feature wage differentials, etc. It was widely admitted that the equilibrium to which the models' labor market witnessed were inefficient, a result that called for policy interventions. However, these had hardly the 'quick fix' nature of the Keynesian demand activation remedy. They rather consisted in subtle institutional arrangements geared towards creating right incentives.
- The conclusion is that over the last half-century, unemployment theory has made a lot of progress but is still far from being able to answer the policy question that policymakers expect from economic theory.

---

\* university of Louvain, [micHEL.devroey@uclouvain.be](mailto:micHEL.devroey@uclouvain.be).

## Conceptualizing the formation and role of expectations before 1950: George Katona's thought

*Pierrick Dechaux*<sup>\*\*</sup>

This paper deals with George Katona's contribution on the methodological debates that followed the introduction of expectations in economic theory over the period 1930-1950. It discusses the implicit and explicit debates on the introduction of psychology in economic theory.

The question of expectations raised much interest in economic analysis after the publication of Keynes' General Theory (1936). A key feature of Keynes' work is the introduction of psychological mechanisms to explain expectations formation. He has initiated a methodological debate on how expectations should be considered and integrated in economic analysis. Two paths can historically be identified on that research. The first one, follows Keynes' intuition that expectations cannot be explained fully from an economic perspective. It tends to breach the frontier between economic and other disciplines such as psychology and sociology. The second one elude this problem, and tries to adopt a coherent analytical approach, in order to keep the treatment of expectations in the economic sphere.

This paper essentially highlights the contribution of George Katona (1951) to the theory of expectations, in a historical and methodological perspective. Katona defends the need to introduce psychology in economic research on expectations. Since his argument is formulated against both Keynes and Hicks theoretical constructions, the paper first presents the conception of these two authors. The first part discusses Keynes' contribution and underlines the methodological underpinnings of his theory. Keynes' philosophical considerations on uncertainty explains his rejection of standard economic theory as a proper framework to explain expectation formation. He prefers, instead, to rely on plain observation, intuition and common sense to explain agents behavior. The second part focuses on Hicks' Value and Capital (1939) in which he develops the concept of elasticity of expectations. This concept is an explicit alternative to Keynes non-economic view, and aims at reintroducing "pure logic" in the study of expectations. However, as stated by Rubin (2012), Hicks fails to explain shifts in expectations, and thereby, fails to explain economic fluctuations.

In a third part, the paper shows how Katona's psychological approach contributes to the debate. If Katona is considered as a pioneer in the introduction of psychology in economics, his contribution has not retained economists' attention and has been misunderstood (Hosseini 2011). However, Katona (1951) seems to provide useful considerations for the treatment of expectations. His main contribution is to show how a psychological framework applied to the problem of expectations could be used to explain and forecast macroeconomic fluctuations. Therefore, he manages to build both explanations and practical applications around the concept of expectations. For Katona, this practical purpose couldn't be achieved within a standard economic framework. The kind of psychology he uses, a mix between gestalt and social psychology, is strictly inductive and aims at explaining variations in expectations and their link with variations in agents' behaviors.

---

\* University Paris 1, [pierrick.dechaux@gmail.com](mailto:pierrick.dechaux@gmail.com).

## **An unorthodox genealogy on the relation between the markets for foreign exchange and credit in Steuart, Thornton, Tooke, and Keynes (1923)**

*Ghislain Deleplace*<sup>\*\*</sup>

The object of the communication is to study the relation between the exchange rate – i.e. the state of the foreign balance – and the rate of interest – i.e. the state of the short-term capital market in four authors: Steuart (1767), Thornton (1802), Tooke (1844, 1838-1857) and Keynes (1923). Two questions are raised: 1) Does this relation constitute an unorthodox linkage between these authors? 2) What kind of theoretical evolution is there on this question from one to the other?

---

\* Université Paris 8, ghislain.deleplace@univ-paris8.fr.

## Two unpublished letters by David Ricardo on a monetary pamphlet by Samuel Tertius Galton

*Christophe Depoortère* \*\*

The article transcripts and analyses two hitherto unpublished letters by David Ricardo. The first one (6 December 1812), was addressed to Leonard Horner. In the second one (3 March 1813), Ricardo thanked Samuel Tertius Galton for having sent him the pamphlet on monetary questions Galton had just published. This second letter was very useful to identify the work discussed by Ricardo in the first letter. Indeed, in his writing to Horner, Ricardo commented extensively on Galton's manuscript and dealt with important monetary issues:

- The question of worn coins, which led to Ricardo's distinction between a deteriorated and a depreciated currency. This distinction was then used by Ricardo to show that a good management of the quantity of money, even if it consisted in a deteriorated currency, could prevent the circulating medium from internal (the price of gold) as well as external (the rate of exchange) depreciation.
- The determination of the real par of exchange, which implied, in cases of countries having different monetary standards, to ascertain, at each moment, the relative value of gold to silver. Ricardo's remarks on this practical problem complemented those developed on the calculation of the par of Exchange between London and Hamburgh in his Reply to Bosanquet.
- The distinction between an issue of bank notes and an increase in the quantity of money in circulation. The consequence of this distinction was the rejection of small notes from the amount of money in circulation advocated by Ricardo all along his career.

---

\* University of Paris 8 , [depoortere74@hotmail.com](mailto:depoortere74@hotmail.com).

## The formation of Goodwin's vision: the first step

*massimo di matteo*<sup>\*\*</sup>

The object of the paper is to summarize Goodwin's B.A. thesis (A Critique of Marxism) and comment upon it. The dissertation is kept in the Archive section of the Library of the Faculty of Economics in the University of Siena. As it will be clear the dissertation is a very important work under several aspects. First of all is one of the first works written by young Richard Goodwin (hence RMG) and already shows a sharp and profound mind. Secondly it is a deep study of Marx (hence M) and Marxism and on certain crucial matters RMG expresses views (on Marxism and other questions) that will not change during his life. Thirdly is a somehow original interpretation of Marxism in the light of Alfred N. Whitehead's (hence ANW) philosophy. In the paper I will outline the arguments of the thesis and interpose some critical observations and comments. The latter will be prompted by the objective of reconstructing RMG's intellectual biography on which I am working.

---

\* università di siena, [dimatteomassimo@gmail.com](mailto:dimatteomassimo@gmail.com).

## **Liberalism, Capital taxation and Justice : From Emile de Girardin to Maurice Allais**

*Arnaud Diemer and Jérôme Lalement\*\**

The liberal tradition is generally based on the idea that the realization of the economic optimum (economics of Welfare) does not require the intervention of the state (but the establishment of a competitive structure) and that minimal fiscal policy is required (too much tax kills tax). Some liberal economists, however, have adopted an original position, including the taxation of capital. Taxation of capital is a recurring theme in the economic analysis. It has its origins in the Political Economy of the 19th Century through the works of Emile de Girardin and Emile Menier. The capital tax raises many debates which refers to the concentration of wealth, social and economic inequalities, transmission of heritage, incentive to save, tax evasion. In France, the creation of a tax on capital was defended by Maurice Allais. This liberal social thought that tax reform was essentially linked to justice and equity. The objective of Maurice Allais was to eliminate the devil plaguing the market economy and private property, namely the existence of unearned income, primarily land rent, pure interest on capital and rents of inflation. Market economy can function optimally and fairly only if State intervene by removing these revenues because they do not correspond to a service. Our communication will present firstly the links between liberal ideas and capital taxation from the History of Economic Thought, secondly the thesis of Maurice Allais.

---

\* University Blaise Pascal , diemera@aol.com; and Université Paris Descartes, jerome.lallement@univ-paris1.fr.



## French Neoliberalism and German Ordoliberalism : The revival of liberalism after the Great Depression

*Arnaud Diemer and Alain Alcouffe\*\**

After the Great Depression of 1929 and the crisis of liberalism, few economist of liberal inspiration engaged in a broad movement, firstly to revive liberalism against the thrust of collectivism and planning (Von Mises, Hayek) and secondly, to lay the groundwork for an overhaul of liberalism (Lippmann, Rougier, Röpke...). This movement is not homogeneous. However the heart of this doctrine consists of the following two positions: (1 ) to denounce the rise of collectivism and planning (planning rejected the economic organization based on competition advocating the use of any central control on economy) and (2) reject the theses defended by advocates of laissez- fairisme (the latter laid the foundations of representation of the legal regime of liberalism - private property and contracts - idealizing the perfect competitive economy and rejecting the intervention of the State). Undeniably, the Lippmann symposium (1938), which took place in Paris, August 26 to 30, can be presented as the first building block of revival liberalism. The symposium was organized by Louis Rougier following the publication of the book by Walter Lippmann , *The Principles of the Good Society* (1937), which will have a huge impact on the intellectual society in his quest for freedom.

In what follows, we will not attempt to account for all of the ideas conveyed by the broad liberal movement. We opted to focus solely on the arguments used by the French Neoliberalism (Rougier, Rueff, Allais) and the German Ordoliberalism (Eucken, Böhm, Rüstow, Röpke). We will analyse these arguments and will present the commonalities and contrasts between these two schools of thought. Our communication will use the works of authors but also their correspondence.

---

\* University Blaise Pascal , diemera@aol.com; and University of Toulouse, Alain.Alcouffe@ut-capitole.fr.

## Leon Walras and the french tradition of social liberalism

*Arnaud Diemer and Michel Herland\*\**

The French liberal doctrine of the 19th century is largely associated with Say's thought (Rossi, Coquelin , Guillaumin, Chevalier, Dunoyer ... ) : the power of competitive strength and no government intervention. Gustave de Molinari is emblematic of this uninhibited liberalism, obeying to market logic and free pricing. In that liberal landscape we shall analyze the original position of Léon Walras who developed a real social axiomatic based on individual freedom. In the article entitled " La théorie de la propriété" (1896), Walras raised two " theorems " from which all its "Social Economy" is derived : Distribution and production of wealth, role of the state, taxation, insurance, association, etc. It turns out that these two " theorems " (property of oneself and of one's "fruits" ; collective property of natural resources which are the "fruit" of nobody and therefore given to mankind ) are, the first, an axiom of all liberalisms and the second, an axiom of "left libertarianism". Besides, liberalism is the basis of Walras' pure economics. His theorem of maximum satisfaction is demonstrated under the condition of perfect competition. Walras' followers retained his pure economics, but not his social economy, the political implications being too radical ... Our communication will be divided into two parts. First, we shall compare the main theses of the French nineteenth-century liberalism and those of Walras. Second, we shall show how Walras' ideas are at the origin of the french tradition of social liberalism, i.e. organized competition

---

\* University Blaise Pascal , diemera@aol.com; and University of Antilles, michelherland@gmail.com.

## Credit, Goodwill and Monopoly : a Veblenian Triptych

*Marion Dieudonné\*\**

Throughout the 20th century, Thorstein Veblen's works are considered to be founders of the nascent institutionalism (Ely, 1919; Hodgson, 1998). Studies mainly focus on *The Theory of the Leisure Class* (1899) and *Absentee Ownership: Business Enterprise in Recent Times: The Case of America* (1923). On the other hand, *The Theory of Business Enterprise*, published in 1904, where Veblen's contributions to corporate finance arise for the first time, is least known. Yet this book presents the basic arguments which appear necessary to understand the scope of Veblen's future contribution to corporate finance. Through observation acuity, Veblen perceives industrial and organizational changes (Berle and Means, 1932). According to the institutionalist tradition (Dirlam, 1958; Dorfman, 1961; Dowd, 1965; Rutherford, 1980; Raines and Leathers, 1992), Veblen is an important theorist of corporate finance, even though he was not considered as such by his peers, or at least through secondary literature. He observes and describes the transition of business enterprise to corporation finance and his contemporary capitalism: financial innovations, predation, oligarchy of power and capture annuity are guiding principles of the new era of corporate governance which are perceived by Veblen since *The Theory of Business Enterprise* 1904.

We show that the book of 1904 contains definition and analysis of goodwill and two classes of shares – common and preferred – that are essential to understand the emergence and development of corporate finance. However, they have been insufficiently addressed by the veblenian literature (Sweezy 1958; Arrow, 1975; Bolbol and Lovewell, 2001; Corhnels, 2004). This literature focuses more on state ownership in industry, absentee ownership, separation and organizational changes in businesses functions. Furthermore, it refers more to *Absentee Ownership* and does not insist sufficiently on the centrality of goodwill in its reasoning. Veblen developed, in 1904, his design of corporate financial theory by anchoring in an analysis of financial institutions: the different corporate structures, banks, titles deed, accounting standards.

Focusing on his Veblen's fairly advanced financial theory of the business enterprise, we want to deepen in the first section the notion of goodwill. The goodwill appears foremost in the balance sheets through the practice of credit and the emergence of leverage effect. The second section highlights stakes of the distinction between two types of shares: common shares and preferred shares that determine the corporate structure. The third section highlights a shareholder dynamics that raises issues of sharing power and of information asymmetry between contracting parties of the firm: insiders and outsiders. As a consequence, the fourth section presents how the lure of power and monopoly leads to the creation of a second goodwill.

Veblen offers us, through his work *The Theory of Business Enterprise*, an early and significant U.S analysis of the dual concept of goodwill at the heart of American business. This allows us to place his book of 1904 in the analytical paradigm of financial capital and present it as a pioneering economic theory of goodwill.

---

\* University of Paris Dauphine, mariondieudonn@yahoo.fr.

## **Indian Currency and Finance: the originality of Keynes's normative view**

*Eugenia Dinivitzer*<sup>\*\*</sup>

In this paper I discuss Keynes's 1913 normative thought on the Gold Exchange Standard. I sustain that he mainly envisaged this system's renowned economy in gold not as an end in itself, but rather as a device for achieving subsequent, more important objectives. I show that only under this interpretative key it is possible to understand why he avowed for the implementation of this system not only in the impecunious, but in all the non-creditor countries that intended to adhere to the gold standard's rules of the game. Interestingly enough, I also show that these rules, contrarily to the way in which they are usually interpreted, consisted in avoiding the harmful effects that a gold-convertibility system entails; this author's well-known positive concern, unveiled by the analysis of his normative ideas, is therefore present since the very outset of his career.

---

\* University of Macerata, [eugenia.dinivitzer@unimc.it](mailto:eugenia.dinivitzer@unimc.it).

## The case against market perfection: The two Bertrand's objections are one

*Rodolphe Dos Santos Ferreira\*\**

The path is strange that led Bertrand to the economists' Hall of Fame. Mathematician, he made a single well known incursion in our discipline, which was presumably designed as an attack against the use of mathematics in economics. This attack was accomplished in 1883 in a ten-page article of the *Journal des Savants* reviewing Walras's Mathematical theory of social wealth, published in the same year, together with Cournot's *Researches into the Mathematical Principles of the Theory of Wealth* (1838), viewed as the main source of Walras's work. Each one of these two reviews contains one main objection, the first to Cournot's concept of duopolistic equilibrium, the second to Walras's analysis of the adjustment to equilibrium. These two objections became two independent sources of an astoundingly strong recognition (if we take into account the brevity of Bertrand's statements) by two communities working in two distinct fields that may be traced back to Cournot and Walras, industrial organization and general equilibrium theory respectively.

The objection to Cournot touched a sensitive issue: if the competitors are price setters (as they are, according to both Cournot and Bertrand) and if the market is less than perfect, that is, if transactions can take place at non-clearing prices, an undercutting competitor is a priori able to increase sales by stealing customers from his rival. Cournot equilibrium is then unsustainable, and the way is open for an endless price war.

The objection to Walras concerned the distributional effects of disequilibrium transactions, resulting in hysteresis and ultimately in equilibrium indeterminacy. Walras's reaction to this objection consisted in explicitly excluding trade out of equilibrium from the second edition (1889) of the *Éléments* on: "Theoretically, the exchange should be suspended" until the equilibrium price is established. The sense of Bertrand's objection is however that in real, imperfect, markets transactions do take place at prices differing from the market balancing price, an observation which was precisely the basis of his objection to Cournot.

Thus, although formulated in two contexts that were going to fall apart as two separate fields, both Bertrand's objections stem from the same observation and share the same distaste for the assumption of market perfection. The paper examines successively the two objections and then concludes in favour of the fundamental unity of the two.

---

\* BETA, University of Strasbourg, rdsf@unistra.fr.

## Mathematical Psychics and Hydraulics: The Methodological Influence of Edgeworth and Fisher

*Stavros Drakopoulos*<sup>\*\*</sup>

The scientific methodology of classical physics has been a constant influence in the development of orthodox economics. Clear signs of this can be found in the works of many classical economists such as Smith, Say, Cairnes and Mill. The physics influence became more apparent with the emergence of marginalism. The economic thought of F. Y. Edgeworth, however, is the peak of the influence of classical physics to economics. In Edgeworth's *Mathematical Psychics*, the identification of maximum energy in physics with that of the maximum pleasure in economic calculus, is central in his thought. In the same manner, I. Fisher, the founder of marginalism in the US, promoted a classical physics based economic methodology. The close analogy of physics and economics concepts and the application of tools from hydrodynamics to economic theory, are basic characteristics of his work. These views eventually dominated orthodox economic methodology. The paper argues that, apart from establishing the physics scientific ideal in economics, both of these authors provided the methodological justification for its adoption in economics. It also examines their subsequent influence on the formation of the current methodological approach in orthodox economics. In particular, it discusses their influence on key components of current mainstream economics such as: extensive use of mathematics, aversion to methodological discourse and anti-psychologism.

---

\* University of Athens, sdrakop@phs.uoa.gr.

## The problem of individuals' behavior within the market society

*Lucyna Drenda*<sup>\*\*</sup>

The negative consequences of reducing the basic problem of choice only to economic criteria force to deepen the analysis of the modern market society in which the axiological values are replaced by economic ones and which arises as a result of expansion of the market rules and market ethics throughout all spheres of human action. Modern western civilization is in constant search for attitude being a consensus between inevitable hegemony of the market and a society based on ethics and morality. The subject presented in the paper is to some extent an attempt of response to global spreading of the attitudes based on consumerism, efficiency and profitability, as the more human being strengthens the feeling of independence and superiority, the more loses the ability of granting a deeper sense to its actions and choices. The paper takes on the issue of basis of the individuals' behavior from the point of view of mainstream economics (homo oeconomicus) and institutional economics.

The institutional economics emphasized the need of rich and dynamic representation of human action in society. It operates on the construction of an individual which contrasts with the concept of homo economicus, which is an example of "slow, economic suffocation" (Péguy), manifesting itself in permanent feeling of scarcity. The main aims of the paper are indicating that the institutions (mainly non-market) are the key elements creating market order and all actions of individuals, and that the modern market society results from adjustments between economic and social spheres and concessions towards each other.

---

\* University of Economics in Katowice, lucyna.drenda@op.pl.

## **The Church as Obstacle to Growth: The Eighteenth Century Conversation in Spain**

*Marie Christine Duggan*<sup>\*\*</sup>

Eighteenth century Spanish political economy identified church property as an obstacle to prosperity. The logic of the economic argument has heretofore been unclear so literature tends to conclude that opposition to clerical land was a pretext for the political goal of consolidating state power. Using data from Herr 1989 and theoretical insights from Grafe 2012, this article builds on work by Spanish institutional economists to suggest that there was an economic logic for opposition to clerical property. Differential corporate tax privileges made agrarian production more profitable for religious than secular producers. Selected writings of Macanaz, Campomanes, Jovellanos and Sempere y Guarinos are then analyzed to ascertain whether this thesis improves our understanding of their work. We find that Campomanes was suspicious that receipt of tithes and ownership of property were strange bedfellows, while Jovellanos attributed secular losses to the high price that someone was willing to pay for land—this analysis suggests that buyer was the church.

---

\* Keene State College, mduggan@keene.edu.



## Koopmans in the Soviet Union: A travel report of the summer of 1965

*Till D ppe*<sup>\*\*</sup>

Travelling is one of the oldest forms of knowledge production combining both discovery and contemplation. Tjalling C. Koopmans, research director of the Cowles Foundation of Research in Economics, the leading U.S. center for mathematical economics, was the first U.S. economist after World War II who, in the summer of 1965, travelled to the Soviet Union for an official visit of the Central Economics and Mathematics Institute of the Soviet Academy of Sciences. Koopmans left with the hope to learn from the experiences of Soviet economists in applying linear programming to economic planning. Would his own theories, as discovered independently by Leonid V. Kantorovich, help increasing allocative efficiency in a socialist economy? Koopmans even might have envisioned a research community across the iron curtain. Yet he came home with the discovery that learning about Soviet mathematical economists might be more interesting than learning from them. On top of that, he found the Soviet scene trapped in the same deplorable situation he knew all too well from home: that mathematicians are the better economists.

---

\* UQAM, [duppe.till@uqam.ca](mailto:duppe.till@uqam.ca).

## **Hans Tietmeyer, Ethical Ordo-liberalism, and the Architecture of EMU: Getting the Fundamentals Right**

*Kenneth Dyson* \*\*

This chapter uses original interview and archive research to examine Hans Tietmeyer's view of EMU as an ethical Ordo-liberal project. It analyses the genesis of this view, its implications, and the insights, difficulties, tensions, and contradictions to which it gave rise. For Tietmeyer the key issue was establishing the proper economic and political foundations for a sustainable monetary union. In the light of later Euro Area crises, this approach raises questions (what is the answer?) about whether Tietmeyer identified the most important foundations, about whether he was successful in getting these foundations enshrined in EU law, and about how firm these foundations needed to be. The answers to these questions influence assessment of Tietmeyer's significance both during the EMU negotiations and from the perspective of later Euro Area crises. The chapter argues that at the core of Tietmeyer's thinking was a deep liberal discomfort with the practices of democratic politics. He saw the role of the economist as an independent expert, who had a duty to combat their neglect of 'objective' economic laws, their proclivity to accept short-term compromises, and their elevation of policy based on harmonization over one based on best performance, defined in terms of global competitiveness. This conception of EMU, and his wider approach to political economy, poses questions about Tietmeyer's strategic acumen and about whether he neglects the existential significance of the principle of reciprocity for sustainable European integration.

---

\* University of Cardiff, DysonKH@cardiff.ac.uk.

## **... and social telescopes saw the light (1966-81)**

*José Edwards*<sup>\*\*</sup>

The US Panel Study of Income Dynamics (PSID), conducted since 1968 by the Survey Research Center of the University of Michigan, began as an instrument for evaluating the effects of President Johnson’s “War on Poverty”. But although it was originally intended as a means to assess the economic well-being of lower-income families, it eventually developed into one of the most widely used longitudinal datasets by social scientists (House et al. 2004). The PSID has originated over 3,500 peer-reviewed publications, and is one of the very few programs in the social sciences listed among the US National Science Foundation “top 60 discoveries and advances in scientific research” (<http://www.nsf.gov/about/history>). Additionally, it has influenced the development of new household panel surveys, such as the German Socio-Economic Panel Study (SOEP) and the British Household Panel Survey (BHPS). These programs attempt to produce data as it is done in the natural sciences, and the academic centers involved aim at creating networks comparable to “the large-scale telescopes and accelerators shared by astronomers and physicists around the world” (Wagner et al. 2007). This essay reconstructs the history of the concept of “social telescope”, and it does so by exploring the history of the PSID: since its antecedent, the 1966 Survey of Economic Opportunity, and throughout its transformation into an academic resource.

---

\* Universidad Adolfo Ibáñez, [jose.edwards@uai.cl](mailto:jose.edwards@uai.cl).

## Hayek and Evolution : discussion with Japanese biologist, Kinji Imanishi

*Susumu Egashira\*\**

This paper considers Friedrich Hayek's evolutionism. The feature of this paper is to discuss a classic theme with new material, a conversation between Hayek and Kinji Imanishi, Japanese biologist, which hardly be introduced Europa and America.

Although it is known that social evolutionism was foundation of Hayek's later works, there are few materials to discuss his concept of biological evolutionism immediately. This conversation is appropriate for this theme because Imanishi was an evolutionary biologist and propose the anti-natural selection theory, habitat segregation. Moreover, Imanishi adopted holism as a methodology of biology which is different from orthodox biology. Hodgson (1993) and Vanberg (1986) have pointed out inconsistency between individualism and holism in Hayek's later works such as *The Fatal Conceit*. This conversation will make Hayek's methodology in his later life clear in contrast with Imanishi methodology.

The aim of this paper is to introduce new material of Hayek and to discuss his methodology in the later works. Although Imanishi agree with Hayek's concept of spontaneous order, he severely criticized his explanation from the viewpoint of natural selection. It is well-known that Hayek discriminated between social evolution and biological evolution, and refused to introduce the concept of biology into social science. On the other hand, it is also known that he eagerly study biological evolution. After this conversation, he introduced Imanishi's works into Europe. In this paper, it will be clear how Hayek understanding biological evolution. Hayek's liberalism is based on his evolutionism. We have to understand his evolutionism in order to consider the dynamic great society which he supported.

---

\* Otaru University of Commerce, [egashira@res.otaru-uc.ac.jp](mailto:egashira@res.otaru-uc.ac.jp).

## Russian Liberal Economist A.I. Chuprov: Between the Past and Future

*Irina Eliseeva* \*\*

Alexander Ivanovich Chuprov's name (1842 - 1908) is well known in the Russian economic literature (Zweynert, 2008). A.I.Chuprov was considered as a "Westerniser", i.e. an economist who shared the liberal ideas of European scholars. Westernisers did not take ideas from any one school, but they made an extravagant mix of ideas from classical political economy, mercantilism, the Austrian school, and the German historical school, were all mixed with the views of the Russian Populists (Narodnichestvo). Representatives of the *raznochinnyy*, intellectuals of the second half of XIX, were the carriers of such eclectic ideas. Thanks to his lectures at the University of Moscow in 1874 - 1899, and also to the edition of a course of lectures on political economy (Chuprov, 1885), Chuprov became a very popular professor. Chuprov believed that the future of Russia belongs to the peasantry. Understanding the heterogeneity of country farms, he saw that the rescue of land-poor farms was in the preservation of the peasant community (*krestyanskaya obshchina*). At the same time, it is impossible to tell that he did not accepted A. Stolypin's reform, whose goal was to free the peasant economy from the dictatorship of the peasant community. He supported the reform as a system of measures directed at strengthening the land tenure by peasants. Chuprov supported the struggle of land-poor peasants by resettlement to new uncultivated areas, and by repayment of landowners' estates, noting an inefficiency of land use by landowners and prevalence of delivery of landowners' estates in rent to country farms. He believed that the future of Russia depends on the development of cooperative movement in the countryside, being guided by examples of distribution and production cooperatives in Italy and other European countries. In a sense, his views anticipated the movement of labor cooperation connected with names of A.V. Chayanov, N.P. Makarov, A.N. Chelintsev, etc. Chuprov believed that development of the domestic industry entirely depends on domestic market. The solvent demand determining the capacity of domestic market, it connected only with the peasantry, and consequently, with the crops defining profitability of country farms. He also connected the movement of ownership of land with the price of bread (Chuprov, 1897). As a whole, Chuprov didn't contribute new constructive ideas in the theoretical justification of the peasant problem. He didn't adjoin to the supporters of Marxism, who became the dominating economic doctrine in Russian economic thought. His position was characterized figuratively in the obituary by A.V.Amfiteatrov (1862 - 1938): "Between Chuprov and society the wide dividing strip of Marxism with its subsequent branchings already laid down" (Amfiteatrov, 1909). Chuprov's economic romanticism was combined with his pragmatism. This line was shown at a choice by subjects of his the master thesis ("Railway economy. Its economic features and its relation to interests of the country. " - 1875), and subsequently the doctoral dissertation ("The conditions defining movement and collecting on the railroads, a gross revenue and its factors. Quantity of commodity freights." - 1878). Both works taken together made the two-volume book "Railway Economy", v.I-II, M.:1875-1878. It is known that Chuprov's work drew attention from K. Marx-he made its abstract and used this in the second volume of "Capital". Chuprov paid tribute to knowledge of mathematics by economists and once made an attempt to carry out the mathematical analysis of the price of labor. (A. Ch. 1867). But the application of mathematics is absent in his subsequent works. At the same time he was a strong supporter of development of statistics and believed in statistical justification of economic conclusions. This paper draws a portrait of this economist that had such a strong impact on the future generation of Russian economists.

### References

Zweynert J. Istoriya of economic thought in Russia. 1805-1905. (russ.) M.: 2008  
Chuprov A.I. Kurs politicheskoi ekonomii, chitanny ordinarnym professorom A.I.Chuprovym in 1881-1885. M., 1885.

Chuprov A.I. Vliyaniye urorzaev I khlebnyh tzen na of dvirzenie zemelnoi sobstvennosti / Influence of crops and grain prices of some parties of the Russian national economy. Articles. Under the ed. by A.I.Chuprov and A.S.Posnikov. SPb., V. 1, 1897, S. 423-463.

Amfiteatrov A.V. Alexander Ivanovich Chuprov. Biographic sketch. / A.I.Chuprov Russia yesterday and tomorrow. M. Russky world. 2009. S. 24.

Chuprov A.I. (A.Ch.) Mathematical calculation of the price of labor/ Domestic notes, 1867, No. 11.

---

\* Sociological Institute RAS, irinaeliseeva@mail.ru.

## Vilfredo Pareto and the Liberal debate about railways in Tuscany in the mid-nineteenth century

*Simone Fagioli\*\**

Vilfredo Pareto is in Tuscany in the last quarter of the 19th century fully involved in the laissez-faire capitalism debate developed in Florence by Accademia dei Georgofili and Società Adamo Smith. He has been indeed a "stir up" with his vehement and polemical speeches.

Florence is, after being Capital city (1865-1870), the crossroad of socio-economic ideas and debates about Liberalism like ultimate aim for an interesting group of well known intellectuals active in politics as Ubaldino Peruzzi, Francesco Genala, Pietro Bastogi and many others.

If we peruse his works, mostly issued on the "Atti" of Accademia dei Georgofili and on "L'Economista", Smith's trade paper, we examine mainly pragmatic topics, head originate from his professional supervision in metallurgy, but at the same time grounded on Liberalism even declined to be an instrument of a critical analysis of the concrete.

These subjects influence deeply the political debate, even as the international trade agreements and the role and development of the industrial manufacturing, the privatization of the Italian railway system, custom duties and the inland revenue.

A subject appreciated for a long time by Tuscan Liberals is the railways: Pareto delves deeper into the matter of the political-economic aspects related to the dualism of public and private partnerships of this kind of transport, and in 1876 it is even the debate on the privatization of rail system to lead to the fall of the Historical Right, triggered the stance of Tuscan Liberals led by Peruzzi, wholly opposed to the state intervention. Pareto will fully share that debate, considering that he began to familiarize with the railways in 1870, when he got started as an engineer in the Florence offices of the Società anonima delle Strade Ferrate Romane, as soon as he has been graduated in engineering.

In the following years Pareto, even though he works in another field, keeps on analyzing those subjects as some extraordinary archival and printed sources, mostly of them unpublished, show. Closely examine of Pareto's writings, including archival records, clearly illustrate his stance in the public debate about the acquisition of the Italian railway system, even comparing with the other Tuscan Liberals and with the papers published in the "Atti" of Accademia dei Georgofili and "L'Economista". All this in addition to the opinions formulated by Léon Walras in 1875 in his review on the State and Railways, such a significant turning point in the international debate.

---

\* Opificio Toscano di Economia, Politica e Storia, simfagpt@gmail.com.

## Luigi Einaudi and Ludwig Erhard. The moral foundations of market economy in post-war Europe

*Giovanni Farese* \*\*

Both economists and statesmen in the nineteen-forties and nineteen-fifties, both re-builders of their countries' economies, Luigi Einaudi (1874-1961) and Ludwig Erhard (1897-1977) were those who: a) shaped monetary policies and monetary reforms after WWII; b) successfully (or unsuccessfully) struggled to include anti-trust and competition principles in the national constitutional system; and c) strongly advocated for European integration process. But they did more – and they did it along with leading figures such as Alcide De Gasperi, Ezio Vanoni, Konrad Adenauer, Wilhelm Roepke and others.

In the context of tight German-Italian relations, Einaudi and Erhard built (along the lines of Adam Smith) the moral foundations of liberalism after the two great crashes – that of unleashed capitalism, 1929, and of aggressive capitalism, 1939 – erecting modern liberalism on new pillars. An institutional pillar, i.e. the market is not an independent variable from the institutional setting in which it operates, and it is time for economists to take institutions, and their history, seriously. A social pillar, i.e. economic policy is social policy, and there is a virtuous circle between employment growth-thrift-and expansion of the middle class. This latter, the expansion of middle class, is quintessential for the very existence of market economy, and of liberal democracy, which are interdependent. Simul stabunt simul cadent.

Yet these two pillars cannot even subsist – or, better, they cannot for long without backstrokes – if moral foundations are lacking. Market economy is not a natural order, it is a mostly-spontaneous social order, where individual behaviour, choices, and expectations are re-built on the basis of people's understanding of their and of others' rights and duties, rewards and sanctions, gains and losses (all of which is constitutionally, and/or institutionally, and/or socially shaped). Paradoxically though it may seem, market economy needs a market pedagogy (pedagogy is not an illiberal "precept" on what to do but a rational proposition on what the stakes are). Education and human refinement help thus building better understanding on the functioning of the market and of obligations toward others, resulting in a non-fictitious, less fraudulent, active market participation. This outcome is never given for granted.

This pedagogy, along with the aim of reforming institutions, is the economists' duty, and Einaudi and Erhard believed in, and behaved as, public (in the Kantian sense) intellectuals, public economists, thus relying on the "public use of reason", and mocking scholars counter-pedagogic mostly elitist jargon.

---

\* European University of Rome, [gfarese@luiss.it](mailto:gfarese@luiss.it).

## **Gabriel Bonnot de Mably (1709-1785) as an Economist. Commerce, Luxury, and the so-called “Classical Republicanism”**

*Julie Ferrand and Arnaud Orain\*\**

The works of the Cambridge school and in particular the famous Machiavellian Moment of J.G.A Pocock (1975) sought to challenge the traditional notion of the emergence (and triumph) of Lockean liberalism over the eighteenth century by focusing on another tradition, that of “civic humanism” or “classical republicanism”. Nevertheless, as Michael Kwass recently stressed, historians of ideas tend nowadays “to divide eighteenth century liberal and republican discourse into rival camps” (Kwass 2004, 204). By this standard, Gabriel Bonnot de Mably (1709-1785) became the archetype of the Classical Republican in France, just as Jean-Jacques Rousseau (see Wright 1997). However, things are much more complex than it appears. The works of Kwass (2003, 2004) and Shovlin (2006) pointed out that the most shared position in French Enlightenment was median. Both in favor of free trade and consumption growth, the great majority of philosophers and economists of the French Enlightenment were however suspicious regarding luxury and often used a republican vocabulary to reiterate the importance of virtue.

This paper is in line with these recent works. And what is at stake here is no less than a complete reevaluation of Mably’s thought. Following Wright’s works (1997), commentators have neglected a lot of Mably’s writings, especially those before the mid-1760s. Now in the first three editions of the *Droit Public de l’Europe* (1746, 1748, 1764) and also in the *Principes de Négociation* (1757), Mably appeared as a strong advocate of free trade (even for grain), competition and foreign trade. Based on the *Essai sur la nature du commerce en general* (1755) of Cantillon, he just condemned some kinds of luxury, but only for economic 2 reasons (it prevents the rise of wealth). Better still, he very rarely uses a patriotic or moralist vocabulary in these works: the “luxury” term was referred only three times in the chapter XI of 1746-8 edition with one negative connotation regarding the trade in exotic colonial products. It is only in 1757 that he showed a shy criticism of luxury consumption. Nevertheless, one more time Mably prohibited luxury for economic reasons rather than relating to moral. In line with the Gournay circle (he praises the wise ideas of the Intendant), luxury itself isn’t the problem, yet the real issue is the concentration of wealth in the hands of few individuals, in particular the financiers. Finally, more than a “Classical Republican”, Mably was so close to the “science du commerce” of the 1750s than he sees free trade (particularly for agricultural products) as the solution for avoiding disorders.

---

\* University of Paris 1 , [julie.ferrand@univ-paris1.fr](mailto:julie.ferrand@univ-paris1.fr); and University of Paris 8, [arnaud.orain@univ-paris8.fr](mailto:arnaud.orain@univ-paris8.fr).



## Wieser as a theorist of institutional change: Money development as an illustration

*Agnès Festré and Odile Lakomski-Laguerre\*\**

In this contribution, we provide an interpretation of Wieser's contribution to economics, which gives due tribute to the originality of his work, in particular his view on how institutions interfere with individual behavior in a disequilibrium framework where social influences such as power or social classes and psychological factors such as the force of habit or herd behavior are the product of human action but also constitute constraints on further action.

This interpretation is based on an overall investigation of Wieser's approach – with a special focus on his last book, *The Law of Power* (Wieser [1926] 1983), which he considered as his crowning achievement and published a few months before his death – not restricted to his contribution to the Austrian theory of value (and his analysis of the opportunity cost) as it is regrettably often the case in the existing literature. The institutionalist perspective of Wieser's economic analysis will be stressed in a first section. For this, we shall concentrate on Wieser's general method – that we assimilate to an example of Agassi's institutional individualism (Agassi 1975)– and his analysis of the emergence and evolution of institutions via the dynamics of leaders and masses.

In a second section, we will reinforce and illustrate the 'institutionalist' mark of Wieser's economic approach by focusing on his writings in monetary theory (Wieser 1909a, Wieser 1909b, Wieser 1927a) and his analysis of the emergence of money based on our reading of Wieser's *Social Economics* (Wieser [1914] 1927b) and *The Law of Power*.

Agassi, Joseph. 1975. « Institutional Individualism ». *British Journal of Sociology* 26 (2): 144-55.

Wieser, Friedrich von. 1909a. « Über die Messung der Veränderungen des Geldwertes ». *Schriften des Vereins für Sozialpolitik* 132.

———. 1909b. « Der Geldwert und seine Veränderungen ». *Schriften des Vereins für Sozialpolitik* 132.

———. 1927a. « Geld ». In *Handwörterbuch der Staatswissenschaften*, édité par A. Weber and F. Wieser L. Elster. Jena: Verlag von Gustav Fischer.

———. 1927b. *Social Economics*. New York: Adelphi Company [reprinted by Augustus M. Kelley Publishers in *Series of Economic Classics* in 1967]. English translation of *Theorie der Gesellschaftlichen Wirtschaft*.

———. 1983. *The Law of Power*. Bureau of Business Research, University of Nebraska-Lincoln. Translated from German: *Das Gesetz der Macht*, Vienna: Julius Springer.

---

\* Univesity of Picardie Jules Verne, festre@gredeg.cnrs.fr.; and University of Picardie Jules Verne, odile.lakomsi@u-picardie.fr.

## Walras and Ordoliberalism: an old thesis

*Raphaël Fèvre and Roberto Baranzini\*\**

In 1957, Christof A. Jöhr achieved his PhD at the University of Tübingen with a dissertation claiming Walras to be an ordoliberal forerunner (Léon Walras als Vorläufer des Ordoliberalismus). As far as our knowledge is concerned, this study which compares Walras with ordoliberals is unique and the only systematic attempt to reconcile these two corpus.

Jöhr offers a more accurate analysis of Walras' thought than his contemporaries. Nevertheless, his thesis, seen either from Walrasian or ordoliberal perspective, is puzzling. Possibly inspired by the New Lausanne school (Oulès, Boson) interpretation of Walras, he points out that both Walras' and ordoliberal's agendas focus on organizing an efficient and fair economic order. Despite the differences between two perspectives on distribution's sphere (ordoliberalism is more social regarding income distribution whereas Walras is more collectivist concerning property), the similarities in the production's sphere allow Jöhr to entitle Walras as a forerunner of German ordoliberalism.

This paper aims to present Jöhr's almost unknown thesis and his novelty, and to clarify his position by focusing on different epistemological foundations that secondary literature attributes to Walras. We will, thus, provide a critical overview of the main conclusions offered by Jöhr and will show that they depend on the peculiar epistemology he attributes to Walras.

Ultimately, this type of work will also venture broader conclusions by uncovering the relationship between interpretation and epistemology in respect of policy recommendations drawn by authors.

---

\* University of Lausanne, [raphael.fevre@unil.ch](mailto:raphael.fevre@unil.ch); and University of Lausanne, [roberto.baranzini@unil.ch](mailto:roberto.baranzini@unil.ch).

## American Economists and Legal Formalism: Freedom of Contract in the 1886 Science Debate

*Tiziana Foresti and Nicola Giocoli\*\**

This work analyzes the link between law and economics in the early years of the Progressive Era (1885-1915). Specifically, the present work proposes a new interpretation of the relation between American legal thought and the debate on the economic method that took place in the magazine *Science* from March to July 1886. The debate opposed the new school of political economy against the old school. Broadly, the articles written by the “new schoolers” (among them: Richard T. Ely, Henry Carter Adams, Edmund James and Richmond Mayo-Smith) focused on four hallmarks: 1) the emphasis on the role of the State 2) the relativity of economic laws 3) the historicity of individual behaviour and 4) the claim for the inductive method. The answer to their arguments came from Frank Taussig, Arthur T. Hadley and Simon Newcomb. We claim that the opposition between the historical, statistical, ethical and deductive methods was, in part, a “cover argument”. The attack against the old school on method was motivated more by its “conclusions” in terms of economic policy, rather than by the irreconcilability between inductive and deductive methods. In a nutshell, the actual point under discussion was the extent of state intervention in the regulation of economic activity and was strictly related to the rise of so-called Legal Formalism in American jurisprudence. The core Formalist principles were freedom of contract, faith in *laissez faire* and the undesirability of government regulation and redistribution – as it happened, these were also the central ideas of the Classical paradigm in economics, though not necessarily those of “old school” economists. Therefore, we propose a new reading of the 1886 debate in the light of the ongoing transformation of late 19th-century American jurisprudence and of the economists’ reaction to it.

---

\*

Baffi Center - Bocconi University, [tiziana.foresti@unibocconi.it](mailto:tiziana.foresti@unibocconi.it); University of Pisa, [giocoli@mail.jus.unipi.it](mailto:giocoli@mail.jus.unipi.it).

## **The importance of Switzerland for the neoliberal movement before, during and after World War II**

*Andrea Franc*<sup>\*\*</sup>

The global financial crisis of 2007 has led to renewed research on the history of the early neoliberal movement (e.g. Burgin 2012). The members of and the debates within the Mont Pelerin Society (MPS), which was founded in 1947 in Switzerland and provided an administrative framework to the neoliberal movement, figure prominently in this research. However, there are several institutions, people and aspects crucial to the coherence of the neoliberal movement, which have been overlooked. The aim of this conference article is to introduce the Swiss institutions and people, which helped the small and informal neoliberal network to gain impact and to establish a society. As Switzerland was spared from the war, it provided the exiled neoliberal scholars scattered over the United States with a gateway to Europe. In Switzerland they found intact infrastructure, functioning publication facilities and most of all, a group of dedicated supporters with institutional and financial power. It will be noted however, that until the early 1940s, a great part of the Swiss elite held considerable sympathy for developments in Germany. The pillars of the neoliberal movement, in particular Wilhelm Röpke in Geneva, but also Friedrich August von Hayek in London, lent support to the non-fascist intellectuals in Switzerland and helped triggering the “liberal turn” in the Zurich circle around the *Neue Zürcher Zeitung*, the *Schweizer Monatshefte*, and the University of Zurich. Not only for the German speaking areas, these were important institutions for the presentation and publication of neoliberal thought after ca. 1942 and in the early postwar years. The Swiss publishers Eugen Rentsch and Francke published the original works of German speaking neoliberals or the German translation of English originals and ensured the distribution of these books past the Nazi or allied censorship. In the early years of MPS, Switzerland provided a proportionally big contingent of members, almost all internationally unknown; this paper explains why they were invited to join.

Newly available archives now allow historical research with previously unused sources. The opening of the records of the Vorort (the Swiss Business Federation), as well as the digitalization of the archive of the *Schweizer Monatshefte* and the *Neue Zürcher Zeitung*, were crucial to the new light that this article seeks to shed on the contributions of Swiss persons and institutions to the viability of the neoliberal movement.

---

\* University of Basel, Department of History, [andrea.franc@unibas.ch](mailto:andrea.franc@unibas.ch).

## Robert Torrens's Theory and Policy of International Trade

*Masatomi Fujimoto* \*\*

Robert Torrens is well known as the advocate of the reciprocity in the international trade policy. However, we should pay attention to his theories of international trade. Through the controversy between Edwin R. A. Seligman & Jacob H. Hollander on the *Economic Journal* (1911), Torrens has been known as one of pioneers of the theory of comparative cost as well as David Ricardo.

In addition to the theory of comparative cost, Torrens holds a special place in the genealogy of the theory of reciprocal demand. He insists that the terms of trade is determined by the operation of reciprocal demand. According to Schumpeter, the term 'reciprocal demand' is first used by Torrens in print. As seen from the above, Torrens makes an appearance on the whole stages of classical international trade. In this paper, I will try to show his theory of comparative cost, theory of reciprocal demand and his international policy known as reciprocity, by graphical approach.

---

\* Osaka Gakuin University, fujimasa@ogu.ac.jp.

## The Invisible Hand in Adam Smith: Stoic or Calvinist?

*Hiroyuki Furuya*<sup>\*\*</sup>

Smith's idea of the invisible hand has been often associated with the Stoic character of providentialism. The Stoic interpretation of the theological language in Smith rose to prominence through Raphael and Macfie. They stated that Stoic philosophy was the primary influence on Smith's ethical thought and also fundamentally affected his economic theory. For Smith, self-command came to permeate the whole of virtue, an indication of the way in which Stoicism permeated his reflection on the whole range of ethics and social science to follow (see Macfie, *The Individual in Society: Papers on Adam Smith*, 1967; Macfie, "The Invisible Hand of Jupiter", *Journal of the History of Ideas*, 32 (4), 1971; Raphael and Macfie, "Introduction" to Adam Smith, *The Theory of Moral Sentiments*, edited by D. D. Raphael and A. L. Macfie, Vol. 1 of *The Glasgow Edition of the Works and Correspondence of Adam Smith*, 1976).

On the other hand, however, there have been objections to the view that Smith's idea of the invisible hand was most influenced by the Stoics. Oslington, for example, argues that, although there is no denying Stoic influences on Smith, scholars have been too ready to assume that acknowledgement of these influences deals fully with Smith's religious language, disposing of the need to come to terms with Christian theology, especially Calvinism, as a crucial influence (see Oslington, "Introduction: Theological Readings of Smith", in *Adam Smith as Theologian*, edited by P. Oslington, 2011).

This paper reinterprets the influence of the Stoics in relation to other possible influences on Smith and examines whether it is right to associate Smith's idea of the invisible hand with the Stoic character of providentialism. It argues that the Scottish Enlightenment in the eighteenth century produced a Christianized Stoicism, in which some classical themes can be easily adapted to Christian precepts. Smith's ethical doctrines too are a combination of Stoic and Christian virtues—or, in philosophical terms, a combination of classical Stoicism and Francis Hutcheson's philosophical version of the Christian ethic of love. When Smith sets Stoic self-command beside Christian love, he calls it "the great precept of nature" (*The Theory of Moral Sentiments*, I. i. 5. 5). This paper concludes that Smith's concept of the invisible hand is still crucial to his use of Stoic language.

---

\* Tokushima Bunri University, drhiroyukifuruya@hotmail.com.

## Knowledge and reality in Michaël Polanyi

*Pierre Garrouste and Agnès Festré\*\**

Michaël Polanyi is a very impressive and interesting scientist and philosopher. He is born in Budapest in 1891 and died in 1976 in Northampton. He completed a medical degree in 1913 and a Ph.D. in physical chemistry in 1917 both at the University of Budapest. He then moved to Karlsruhe where he continued to study physical chemistry. After a short stay in Budapest he moved to Berlin where he obtained a position at the Kaiser Wilhelm Institute for Fiber Chemistry. He moved to Great Britain at the University of Manchester in 1933 after the Nazi regime decision to prohibit Jews from exercising civil-servant activities. He continued to work in chemistry at the University of Manchester but in 1937 he began to be interested in economics and “it was hard to interest Polanyi in chemistry subjects anymore” (Nye, 2002, p. 125). He had many discussions in economics with his brother Karl Polanyi (1886-1964) who was living in London. As his brother he was highly concerned with the economic and political situation of the Soviet Union that he visited for professional reasons and benefited from the experiences of members of his family living there (his mother was from Vilnius). His meetings with very different scientists, Nikolai Bukharin as well as Max Born and Erwin Schrödinger; in very different domains, economics, Keynes and Hayek, epistemology, Popper and Kuhn, and philosophy, Bertrand Russell and Ludwig Wittgenstein, contributed to make his conception of reality and knowledge very specific. As a scholar untrained in economics he also provides an iconoclast approach: he tries to reconcile Keynes and monetarism and shares Hayek's defence of free market. The paper is organized as follows. In Section 2 we present Polanyi's conception of science and reality. In Section 3 we present the famous notion of ‘tacit knowledge’ and in Section 4 Polanyi's ideas in economics and society. We conclude in Section 5.

---

\* University Nice Sophia Antipolis, pierre.garrouste@gredeg.cnrs.fr; and University Nice Sophia Antipolis, agnes.festre@gredeg.cnrs.fr.

## The ‘economics of attention’: A history of economic thought perspective

*Pierre Garrouste and Agnès Festré\*\**

This article takes stock of the increasing interest that the economic profession has shown for the role of attention in our economies this last decade. It also highlights that the concept of attention is an old issue in social sciences and that it has been central for those economists of the past most interested in the relation between the functioning of the brain beyond mere economic rationality and economic decisions. Finally, the article attempts to look ahead in the context of the rising influence of behavioural economics and address issues at stake in order to capture all the dimensions of human attention and their implications for the understanding and analysis of economic phenomena.

---

\* University Nice Sophia Antipolis, pierre.garrouste@gredeg.cnrs.fr; and University Nice Sophia Antipolis, agnes.festre@gredeg.cnrs.fr.



## **Communicative Reciprocity and Responsible Liberalism: From Corporate Social Responsibility to Stockowner-Employee Partnership: An Empirical Analysis**

*Christian Gehrke and Florian Brugger\*\**

Although technical progress was (and still is) often treated as exogenous in economic theory, it is quite natural for a neoclassical economist to ask whether the market mechanism is capable of influencing, and perhaps providing guidance for, the direction of technical change. In his *Theory of Wages* of 1932, John Hicks suggested that changes or differences in the relative prices of factors could influence the direction of invention and innovation. Hicks's formulation of induced technical change bias was widely accepted until the early 1960s, when it was emphatically rejected by some of the leading neoclassical theorists as plain wrong. In the 1960s, serious efforts were then being made by neoclassical economists to explore the influence of economic forces on the rate and direction of technical change, and alternative factor-price induced models of technical change were proposed in contributions by, amongst others, Fellner, von Weizsäcker, Kennedy, Samuelson, Ahmad, and Drandakis and Phelps. This line of research was strongly influenced by Nicholas Kaldor, because the above-mentioned contributions made explicit or implicit use of a device that was first introduced by Kaldor, the so-called "technical progress function" (Kaldor 1957). Moreover, these contributions generally employed the induced technical change theory, in combination with the Solow-Swan growth model, in order to explain Kaldor's "stylized facts" (Kaldor 1961). At the end of the 1960s, however, it was generally agreed that this line of research had led into a cul de sac, and was not worth pursuing further. In the late 1990s, however, the theory of induced technical change bias was successfully revived by new growth theorists, and in particular by Daron Acemoglu, in order to explain skilled versus unskilled labour biased technical change. The formulation adopted by Acemoglu is capable of overcoming some of the deficiencies of the earlier literature by re-introducing some elements which had been proposed by W.E.G. Salter already in the late 1950s, prior to the efforts of Samuelson et al. in the 1960s.

The present paper provides an account of the development of the theory of induced technical change bias and its changing role in the neoclassical theory of growth and distribution.

---

\* University of Graz, christian.gehrke@uni-graz.at; and University of Graz, florian.brugger@uni-graz.at.

## **The Rise of Behavioural Economics in the Literature and as a Source of Policy Advice: A Quantitative Assessment**

*Niels Geiger*<sup>\*\*</sup>

This paper, first in a two-part series, is devoted to the question of operationalising the development of behavioural economics. Part I (this paper) focuses on developments in theory, Part II on applied practice, especially economic policy. The main research goal is to provide a quantitative assessment in order to answer the question of whether or not behavioural economics has entered the economic mainstream in the past few years. After an introduction and a short summary of the history of behavioural economics, several studies are laid out and evaluated. The results generally confirm the story as it is usually told in the literature, and add some notable additional insights.

---

\* University of Hohenheim, [niels.geiger@uni-hohenheim.de](mailto:niels.geiger@uni-hohenheim.de).

## **On the Chinese Modernization: Political Philosophy, Public Economics and Schools of Thought**

*Jean-Sébastien Gharbi\*\**

Broadly summarized the modernization theory assumes that the economic development of a country will, in an almost mechanical way, lead it to adopt both market economy and democracy. For this reason, the proponents of this theory state that the economic development of China during the last 40 years will necessarily lead in a near future to a kind of “westernisation”. Although the modernization theory has been criticized, the dominant economic theory still establishes a strong and rather simple link between economic development and the nature of the values recognized in a society (assuming, as a matter of fact, that occidental values are natural and universal).

This is to forget two points. First, the fact that social ethics is very important in that kind of topic – and that social ethics is linked with the history of political and economic theories. Second, the fact that liberalism and welfarism, which are the current dominant traditions in the occidental countries in political philosophy and in public economics, are the fruits of a specific history and are anchored in very ancient European schools of thought.

In this paper, I will provide elements to discuss the relevance of the modernization theory for predicting the evolution of Chinese society.

To be more precise, in a first part, I will quickly present the two western traditions of liberalism and welfarism. This will be the occasion to highlight that (beyond their agreement concerning the superiority of market economy as an income distribution mechanism) the consequences of their implementation in terms of public policy are very different. In a second part, I will present the two Chinese schools of thought of Confucianism and Chinese Marxism. I will discuss their differences and insist strongly on their influence on Chinese contemporary social ethics. In a third part, I will compare the occidental liberalism and welfarism with Confucianism and Chinese Marxism. In this last part, my point will be to show that the modernization theory does not give enough importance to the history of political and economic thought. I will conclude by defending that the differences between European and Chinese schools of thought make it difficult to maintain that because of its economic development China will necessarily adopt full market economy and democracy (at least, in the occidental meaning of this word).

---

\* Aix-Marseille University, GREQAM, jsgharbi@gmail.com.

## Sen is not a capability theorist

*Murial Gilardone and Antoinette Baujard\*\**

According to a standard claim, Sen has conceived the concept of “capability” as a new material for justice. The latter would be more relevant than subjective utility, either for welfare issues or social decisions. Nevertheless, Sen strives to convince people he is not a capability theorist. Moreover, as we show in the paper, nothing in the primary literature on the capability approach written by Sen supports this claim. Last but not least, it may be inconsistent with Sen’s democratic approach to collective choice and justice. On the contrary, we argue that he uses the capability approach as a heuristics to demonstrate that there exist alternative concepts to utility that indeed can be shown to value individual agency. But this argument does not imply capabilities are the only, nor the best material for justice. This revision of the standard claim does not mean that the metrics of capabilities is not compatible with his theory of justice, but that it is not its necessary object.

---

\* Normandie Université, CREM, [uriel.gilardone@unicaen.fr](mailto:uriel.gilardone@unicaen.fr); and Université de Lyon, UJM, GATE L-SE, [antoinette.baujard@univ-st-etienne.fr](mailto:antoinette.baujard@univ-st-etienne.fr).

## Classical competition and freedom of contract in American laissez faire constitutionalism

*Nicola Giocoli*<sup>\*\*</sup>

The paper argues that classical economics had a major influence during the so-called formative era of American antitrust, i.e., the quarter century going from the Sherman Act (1890) to the Clayton Act (1914). Since at least 1885 the US Supreme Court embraced the substantive due process (SDP) doctrine. SDP was premised on the idea that the Fourteenth Amendment of the American Constitution protected an individual's natural rights to "life, liberty and property" by safeguarding private transactions from undue legislative interference. The instrument par excellence in the exercise of private property rights was freedom of contract. SDP thus meant crediting individuals with a new constitutional right, called freedom of contract, which granted freedom from government interference. Including freedom of contract among constitutional liberties reveals the influence of economics upon late nineteenth-century American law, even in the absence of any explicit use, by courts or legislators, of formal analysis. Both the constitutional doctrine of SDP and the older common law of trade restraints recognized private property and freedom of contract as fundamental principles. But property and contractual freedom were in turn consubstantial with classical laissez faire principles. Thus it was the classical worldview that provided turn-of-the-century American courts with the building blocks for handling business-related cases – first and foremost the earliest instances of application of the 1890 Sherman Antitrust Act.

---

\* University of Pisa, [giocoli@mail.jus.unipi.it](mailto:giocoli@mail.jus.unipi.it).

## **The ideal currency of the future: E. W. Kemmerer and J. M. Keynes on India Gold Exchange Standard**

*Rebeca Gomez Betancourt and Robert Dimand\*\**

The Indian monetary system had already attracted the attention of nineteenth century economists like Léon Walras (1834-1910) and Alfred Marshall (1842-1924). In this article we will be analyzing the evolution and establishment of the gold exchange standard in India through the work of two young economists: E. W. Kemmerer (1875-1945) and J. M. Keynes (1883-1946). Keynes took an interest in the Indian currency problems during his short stay at the civil service in the India Office (1906-1908). Based on his experience, he wrote the *Indian Currency and Finance* (since known as the ICF), which was his very first book published in 1913. Kemmerer reviewed it in 1914 and wrote a 150-page chapter on India in his *Modern currency Reform. A History and discussion of recent currency reform in India, Porto Rico, Philippine Islands, Strait Settlements and Mexico* (1916), in which he compared the gold exchange standard in American and British colonies. Both economists referred to a nineteenth century author, A. M. Lindsay (1844-1906), who supported the instauration of a gold exchange standard in India from 1876 to 1898, in particular before of the Fowler Committee of 1898 on Indian Currency. Indeed, although they can be linked by Lindsay's influence and by their advocacy for India's freedom to choose a Gold Exchange Standard, Kemmerer and Keynes eventually differed in their subsequent theoretical evolution. We will compare these three authors' diagnosis of the Indian monetary system and their respective contributions to the formulation of the Gold Exchange Standard, which became dominant after the Genoa Conference.

---

\* University of Lyon 2, [rebeca.gomezbetancourt@univ-lyon2.fr](mailto:rebeca.gomezbetancourt@univ-lyon2.fr); and Brock University, [rdimand@brockuniversity.ca](mailto:rdimand@brockuniversity.ca).

## **Straight lines and 'ancient denominations': William Petty's political economy and the delineation of Irish lands**

*Hugh Goodacre*<sup>\*\*</sup>

It has long been suggested that William Petty's quest for a 'par and equation between land and labour' had its roots in his early career in Ireland, where, following the Cromwellian conquest of that country, he was centrally involved in the distribution of confiscated lands to England's army of occupation in lieu of pay. The present study explores his activities at that time against the background of contention within that army between those supporting and opposing the notorious scheme to remove the bulk of the Irish population to a kind of reservation in the West and replace them with Protestant immigrants, in the first place the soldiery of that army itself. It shows how the stalling and eventual abandonment of this 'transplantation' scheme was reflected in the negotiations surrounding Petty's contract to survey the confiscated lands and in the course of the subsequent implementation of that survey and the land distribution itself. In particular, it traces how the plan to reconfigure the Irish landscape with the delineation of thousands of new plots for individual cultivation by smallholding Protestant settlers was over-ridden. Few of the rank-and-file soldiery settled in the country, and, instead, their allotments were bought up by large landowners and senior army officers. The outcome was that the pattern of cultivation was left largely intact; the Catholic population remained effectively ensnared as tenants and labourers on the 'ancient denominations' of land they had formerly owned, which were now consolidated into manorial estates, in some cases of massive scale. The term 'neo-feudalism' has been applied to analogous situations in central and eastern Europe where the social position of labourers was similar to that under feudalism at a stage of history when production was directed more towards the profits of trade than, as in medieval times, subsistence, a situation epitomised by Petty's own enterprises on his estates in Ireland. It is suggested that Petty's perspective on land and labour in his subsequent political-economic writings – and even arguably the political economy of Adam Smith – continues to reflect this dual, or transitional character, in which concepts prefiguring those of today's economics, such as 'factors of production', are interwoven with the assumption of a rigid social stratification inherited from the middle ages.

---

\* University of Westminster, [h.goodacre@ucl.ac.uk](mailto:h.goodacre@ucl.ac.uk).

## The influence of Ferdinand Tönnies on Rudolf Hilferding

*Jan Greitens* \*\*

Ferdinand Tönnies - as a sociologist and interpreter of Karl Marx - strongly influenced Rudolf Hilferding in his economic and sociological ideas. The peri-ods, circumstances and substance of the influence are to be examined in detail in this paper.

Hilferding`s study of Tönnies early magnum opus *Community and Civil Society* of 1887 influenced his own scientific ideas profoundly. Furthermore, Hilferding took a great interest in Ferdinand Tönnies` contributions to *Die Neue Zeit*, the theoretical journal of the German Social Democratic Party edited by Hilferding`s mentor Karl Kautsky, and the correspondence between the two men. These influences can be seen in Hilferding`s work *Finance Capital*, where he used Tönnies` definitions of community and society as a guideline for his concepts of an anarchic and a consciously organized society.

After the political changes in Germany leading to the Weimar Republic, Hilferding modified his theory of finance capital towards a new concept of Organized Capitalism and from this, together with the trade unions, he devel-oped the political strategy of 'Wirtschaftsdemokratie' [economic democracy]. In this, the state brings the economy into a consciously organized shape and changes the property regime. These modifications in Hilferding`s concepts have some of their main roots in Tönnies` writings of that time, especially *Das Eigentum* [Property] (1926), where Tönnies discusses, based on his concepts of community and society, the role of property and its relevance for the state and the society.

Their personal contact was based on Hilferding`s editorship of the journal *Die Gesellschaft* [Society], where Tönnies published a number of times. However, their relationship was always impersonal, even after Tönnies very publicly be-came a member of the SPD, the party where Hilferding was on the executive board.

---

\* Frankfurt, greitens@gmx.net.



## **Language and Government. Translations and Discussions about Adam Smith's Considerations Concerning the First Formation of Languages in France, Portugal and Italy**

*Marco Guidi and Monica Lupetti\*\**

Adam Smith's *Considerations Concerning the First Formation of Languages* (1761) enjoyed a rapid and large popularity in Europe between the end of the 18th century and the beginning of the 19th century. They were translated four times into French (1784, as part of an entry of the *Encyclopédie méthodique*; 1796; 1798 as an appendix to Sophie de Grouchy's translation of the *Theory of Moral Sentiments* – reprinted in 1830; and 1809) and they were also translated into Portuguese (1816). In Italy the work was not translated until recently. But translated quotations and discussions on Smith's essay appeared in various books and journals in the early decades of the 19th century, involving key philosophers and literary men such as Antonio Rosmini and Niccolò Tommaseo. The paper studies these translations and discussions from the double perspective of intellectual history and diachronic linguistics. On the one hand, both the reconstruction of intellectual contexts and paratextual analysis reveal that the interest in Smith's philosophy of language was very often connected to a broader interest in the question of the relationship between mastery of language and the art of government. On the other hand, the analysis of translational variations, parallelisms and errors reveals how the approach to translations was filtered by the moral and political ideas of the translators.

---

\* University of Pisa, m.guidi@unipi.it; and University of Pisa, m.lupetti@rom.unipi.it.

## Paul Samuelson as Social Physician: A History of Therapeutic Nihilism

*Dan Hammond\*\**

This paper is an analytical history of Paul Samuelson's writings on the theory of public goods and the role of government. We look first at Paul Samuelson's scholarly work on public goods theory, from "The Pure Theory of Public Expenditure" (1954) to "Pure Theory of Public Expenditure and Taxation" (1969). Then we look at Samuelson's textbook, *Economics: an Introductory Analysis*, over the same time period as our survey of his scholarly work to see how the textbook deals with questions of public expenditure. This survey comprises the first edition (1948) through the eighth edition (1970).

Samuelson depicted himself as a "middle of the road" economist, neither from the ideological left nor right. We find that Samuelson was reluctant to draw policy implications from his analysis of public goods. If anything, Samuelson adjusted his theory of public goods to accommodate status quo public sector activity. Ultimately he came to the conclusion that economic theory has little to contribute to discussion of the appropriate role of government. He referred to this conclusion as nihilistic. This is likely to come as a surprise to economists who regard their discipline as a source of guidance for public policy.

---

\* Wake Forest University, hammond@wfu.edu.

## Communicative Reciprocity and Responsible Liberalism: From Corporate Social Responsibility to Stockowner-Employee Partnership: An Empirical Analysis

*Sang Jin Han, Young-Hee Shim and Sae-Seul Park\*\**

This paper draws attention to the concept of reciprocity as a key component of Habermas' communication theory of justice in order to open up an action-theoretical discussion about who are more capable than others of understanding the silent voices of the counterpart and thereby achieving a reciprocal sympathy and recognition as a basis for an egalitarian economic transformation within the framework of responsible liberalism. Reciprocity requires a norm of justice in terms of the fair distribution of speech chances, inclusive participation of actors and topics without restriction, willingness not only to speak but also to listen, two ways of active interpretation by rival perspectives in communication, self-transformation via learning from others, and reaching a voluntary agreement over common goals and values. Those equipped with the norm of reciprocity in communication can better comprehend diversities, complexities as well as the conflict-ridden aspects of the society and, hence, can develop stronger capacity of nurturing sensitivity to sharing and living together. This paper argues: 1) the recent change of value system of shareholders in support of corporate social responsibility can be interpreted from this communicative perspective of reciprocity and justice; and 2) the transformation of classical liberalism into what we may call a 'responsible' liberalism can be further explored with regard to a new emerging trend of "stockowner-employee partnership" (SOE partnership). Finally, this paper will attempt an empirical analysis to demonstrate how the norm of reciprocity is reflected in the relationships between corporation and society, on the one hand, and between shareholders and employee, on the other, within a framework of responsible capitalist culture. A survey data collected from a Korean company in 2012 will be analyzed.

---

\* University / Beijing University / LIBEAC, hansjin@snu.ac.kr; University / Beijing University / LIBEAC, yhshim@hanyang.ac.kr; and University / LSE, spark0790@gmail.com.

## Justice as fairness or capitalism? The contradictions and contributions of the theory of John Rawls

*Rima Hawi\*\**

One of the aims that motivate the last writings of John Rawls, *Justice as Fairness: A Restatement* (2001) is to present in a unified way the conception of “justice as fairness” presented in *A Theory of Justice* (1971) and the main ideas developed in his latest works. Justice as fairness is a political conception – an idea that shape *Political Liberalism* (1995) – but it also became a realistic utopia : “it probes the limits of the realistically practicable, that is how far in our world (given its laws and tendencies) a democratic regime can attain complete realization of its appropriate political values [...]” (JF, section 5.1 : 13).

Thereby one of the main contribution of JF is the development of the rawlsian institutional feasibility, more precisely, the ability of economic institutions to ensure equal basic liberties (first principle), to provide equal opportunities and to limit socioeconomic inequalities to those that maximally benefit the least-advantaged members of society (second principle).

Rawls did not interfere in the long debates on the kind of regime that can realize those principles of justice. He did talk briefly about it in *A Theory of Justice* but then in *Political Liberalism*, the account of just institutions seemed to disappear, even though the concern for realism became central in that second book. During years, commentators quarreled whether capitalism or socialism satisfy best rawlsian principles of justice. These differences are explained by Rawls’s own ambiguities particularly concerning the second principle (the difference principle) but also the priority of the first principle over the second (the lexical order). The first part of this article will explore those ambiguities that lead to considerable controversy over Rawls’s theory – perhaps more than any other work in political contemporary philosophy and even in social theory.

Given these developments of the main contributions to Rawls’s theory of justice, those that influenced the numerous revisions that Rawls has made on his principles of justice, the second part of the article explores how Rawls has broken his relative silence by providing more explanations of the architecture of the social system that satisfy justice as fairness. In that discussion, Rawls distinguishes five kind of system: laissez-faire capitalism, command economy socialism, liberal democratic socialism, welfare state capitalism and property- owning democracy. The main contribution of the author remains on his distinction between the two last regimes, in particular because Rawls’s theory often has been understood as a defense of welfare capitalism and rarely as an alternative to that system as Rawls has presented it finally by defending the property-owning democracy.

Being now a realistic utopia, justice as fairness can be viewed as probing the limits of practicable political possibility and even more as a possible path of transcending capitalism system. Despite the enormous literature on Rawls, this surprising and radical development of Rawls latest work, has, so far, received insufficient attention. This development is due to the important revisions Rawls has made to his work in order to overcome the contradictions identified by his commentators between his principles of justice and the regime able to realize them. And by doing so, as we shows in this article, Rawls has made important contributions that allowed to moving the debates from purely theory to discussion of institutional arrangements essential to organize a democratic economy.

---

\* Université de Versailles Saint Quentin en Yvelines, rima.hawi@uvsq.fr.

# Epistemic Basis for Collective Intentions in Games

*Cyril Hédoin*<sup>\*\*</sup>

Philosophers interested in social ontology have developed for more than two decades now the notion of collective intentionality. A general claim surrounding this notion is that coordination and cooperation in the social world rely on the ability of humans to form collective intentional states (beliefs, desires, intentions, ...), i.e. intentional states that are shared among some group or collective in such a way that they can be attributed to the latter. Since the early developments of the literature on this topic, a particular focus has been on the issues of the nature of collective beliefs (e.g. Gilbert 1987) and of collective intentions (e.g. Searle 1990). Basically, two kinds of account of collective beliefs and intentions have been developed: firstly, a reductionist account where collective intentional states are defined as an aggregation of individual intentional states plus an epistemic requirement regarding the mutual knowledge of these states in the population. Secondly, a non-reductionist account where collective intentional states, though they occur in (or are the product of) individuals' mind, are independent from individual intentional states. Quite the contrary, collective beliefs and intentions may affect causally individual beliefs and intentions.

In this paper, I make use of the recent developments in the epistemic program in game theory ((Bruin 2010); (Perea 2012)) to increase our understanding of the nature of collective intentions. More precisely, I investigate the epistemic requirements for the formation of collective intentions in coordination problems. I focus particularly on John Searle's last account of collective intentions (Searle 2010, chap. 3) which explicitly recognizes that the possibility and the rationality of collective intentions depend on the satisfaction of an epistemic proviso regarding the intentional states of the members of a collective. I develop an epistemic model stating sufficient conditions for coordination in a game through the formation of collective intentions. I discuss more particularly mixed-motive games, i.e. games where players share some mutual interests though their preferred outcomes are not the same.

The thesis developed in this paper is highly related to the one developed in Hédoin (2013) where Searle's theory of collective intentionality is embedded in a game-theoretic framework. However, the present article focuses more specifically on collective intentions and thus adds to the epistemic model an explicit concept of intentions in games. Recently, Roy (2010) has also introduced the conception of intentions in a game-theoretic framework. However, he focuses on "we-intentions" (intentions with a we-content) rather than on fully collective intentions. The present paper can thus be seen as a contribution both to the extension of the scope of game theory to the study of (collective) intentions and to the philosophical and game-theoretical investigation of the nature and the role of collective intentionality in the social world. More generally, this paper provides an historical and analytical account of the way some new developments in recent microeconomics can help us to obtain a better understanding of collective action.

## References

- Bruin, Boudewijn Paul de. 2010. *Explaining Games: The Epistemic Programme in Game Theory*. Springer.
- Gilbert, Margaret. 1987. "Modelling Collective Belief." *Synthese* 73 (1): 185–204.
- Hédoin, Cyril. 2013. "Collective Intentionality in Economics: Making Searle's Theory of Institutional Facts Relevant for Game Theory." *Erasmus Journal for Philosophy and Economics*, 6 (1): 1-27.
- Perea, Andre's. 2012. *Epistemic Game Theory: Reasoning and Choice*. New York: Cambridge University Press.
- Roy, Olivier. 2010. "Interpersonal Coordination And Epistemic Support For Intentions With We-Content." *Economics and Philosophy* 26 (3): 345–367.
- Searle, John. 1990. *Collective Intentions and Actions*. In *Intentions in Communication*, eds. P.R. Cohen, J. Morgan, & M.E. Pollack, MIT Press, 401-415.
- Searle, John R. 2010. *Making the Social World: The Structure of Human Civilization*. Oxford University Press.

---

\* University of Reims Champagne-Ardenne, [cyril.hedoin@univ-reims.fr](mailto:cyril.hedoin@univ-reims.fr).

## **Eduard Heimann's thought on Socialization and Social Policy in the Era of Weimar Republic**

*Toshihiko Hozumi\*\**

In this report, I would like to explain E.Heimann's thoughts on the socialization of productive method in the period of the German revolution and later on the Social Policy in the conference of the German Society for Social Policy. At last I would like to explain his opinion on social and economic organization of capitalism on the basis of his main book "Soziale Theorie des Kapitalismus (Social theory of capitalism)". He was a social democrats and sympathized with Protestantism. We can notice that he admitted the market economy but man should control the action of this economy. So he deals the economic theory of the Liberalism. We can learn a lesson from his thoughts.

---

\* University of Aichi , hozumi-toshihiko@rose.odn.ne.jp.

## Bernard Mandeville: Wealth beyond vice and virtue

*Jimena Hurtado*<sup>\*\*</sup>

Bernard Mandeville's work is an invitation to think about what generalized access to wealth means for social order. Mandeville invites his readers, in his provocative and even cynical style, to consider the relation between economics and morals from the point of view of economics rather than from a preconceived moral stand. Instead of assessing wealth through a moral lens, Mandeville reverses the analysis and asks what the consequences are of generalized luxury consumption for social order. The question then, is not how wealth and luxury should be controlled given certain moral standards, but rather how should we conceive social relations in a society that gives everyone the possibility of becoming rich and enjoy goods considered to be superficial. This question forces us to reconsider what luxury exactly designates if it were to be a descriptive category of social relations marked by the quest for wealth beyond any moral consideration. This way of looking at things attests of Mandeville's revolutionary stand leading to re-evaluate not only the place of economics in the social organization but moral philosophy itself; which he distances from any religious consideration, and builds upon what today would be considered a positivist foundation, leading it to concentrate on the analysis of actual social relations and thus redefining vice and virtue, and the relations between economics, morals and politics. In this paper I would like to study what this stand means in terms of the redefinition of the scope of moral philosophy, and the step it represents in the construction of a particular economic philosophy. Central to this stand is Mandeville's understanding of luxury. In a context of increasing wealth and revaluation of the foundations of social order, the needs of human social life change. Mandeville addresses this change when he makes the definition of luxury dependent upon material and social circumstances rather than on moral considerations.

Besides, this redefinition, I believe, is what leads Mandeville to re-evaluate the mechanisms that maintain a particular social order, materialized in market society, and therefore to a specific science of the legislator focused on the role of the "skillful politician" who by "dextrous management" turns private vices into public benefits.

This figure, be it a particular person or a system, required knowledge of facts beyond moral judgments, in order to guarantee social order, which, in Mandeville's view, could now leave virtue as a private concern. Social order would not depend then upon the virtue of its citizens but rather on regulations guiding and limiting what had usually be considered as vices. The science of the legislator should overcome, so to speak, the language of morals, and moral philosophy should become a factual explanation of social relations capable of informing the formulation of laws. Economics provided the facts; the observation of commercial relations, of the increase in wealth and luxury consumption allowed explaining the transformation of social relations and its consequences. This observation informs the science of the legislator establishing a direct link between economics and politics beyond any moral consideration, and gives the "skillful politician" the instruments to regulate social relations without recurring to virtue.

---

\* Universidad de los Andes, [jihurtad@uniandes.edu.co](mailto:jihurtad@uniandes.edu.co).

## Forbonnais, the two balances and the "Economistes"

*Alexandra Hyard and Thierry Demals\*\**

The purpose of the article is to examine the link that Forbonnais, contrary to the "Economistes", ties between the balance of trade and the balance of power and to understand the theoretical origins. These origins are to be found in a vision of trade as a crucial part of the States' policies and a realistic view of the international relationships. The science of trade proposed by Forbonnais in the middle of the eighteenth-century, that is to say as a thought about the conditions of peace in Europe, provide justification to the doctrine of balance of power. Contrary to Forbonnais, the "Economistes" refuse to see in the concept of balance of trade a factor of peace because they consider that this concept is based on the false idea according to which a nation can enrich itself at the expense of others.

---

\* University Lille 1, alexandra.hyard@univ-lille1.fr; and University Lille 1, thierry.demals@univ-lille1.fr.



## **What should the English learn from the Dutch? -herring-fishing and trade-**

*Seiichiro Ito* \*\*

It has been said for a long time that in the seventeenth century Holland was the leading country in Europe, whose trade and shipping the other countries tried to imitate. In this paper I focus on how people in a neighbour country, England, saw and discussed over such a model economy. Since John Keymer in 1601 and 1620 wrote petitions proposing that England should follow the successful example of the Dutch shipping and fishing, his theses were often recalled, sometimes under different names, and a number of pamphlets on herring-fishing were published. In the first half of the seventeenth century most of them showed their concern about the technical matters, such as the details of the ships, the manner of fishing, and the cost of the management of that business. However, after the Restoration pamphleteers moved their focuses to more general economic and political problems, such as employment, interest rates, and the Navigation Act.

---

\* Ohtsuki City College, seiichiro@mtj.biglobe.ne.jp.

## Why is money important in Jean-Baptiste Say's analysis ?

*Gilles Jacoud\*\**

Jean-Baptiste Say (1767–1832) is one of the foremost economists who have contributed to laying the foundations of economics. The main contribution generally attributed to him is twofold: that of highlighting the essential role of the entrepreneur and the law of markets to which his name has been given (known in French as Say's law, "loi de Say").

If historians of economic thought have devoted many works to Say, few have closely considered his monetary ideas and the content of Say's monetary writings is generally passed over. We forget that the study of monetary questions forms a large part of his editorial work. In the first edition of the *Traité d'économie politique* in 1803 which he divided into 5 books, he devotes book 2 to money. It is true that the work is completely revised in the following editions, with the division between the three famous sub-chapters which are the production, distribution and consumption of wealth, but the chapters devoted to monetary questions represent a third of the voluminous book 1. Say's objective of reaching a broader public than that of the readers of the *Traité* led him in 1815 to publish a *Catéchisme d'économie politique* written in short chapters in the form of questions and answers. He starts at once with a chapter on wealth and the usage of monies and devotes the two following chapters to money. The theme of money is also very presents in Say's teachings at the Conservatoire des arts et métiers, the content of which was published in 1828–9 in the *Cours complet d'économie politique pratique*. The third part of this work, even more voluminous than the *Traité*, is devoted to exchanges and monies. These books are not the only place in which Say wrote about money, as he also wrote various reports, articles and texts in which money is at the centre of his reflection.

Say's contemporaries, in France at least, considered that money was important in his analysis and ten years after his death, Charles Coquelin emphasized in an 1842 article that this analysis remained "the dominating opinion in matters of credit and banking". In view of the weight Say gives to money in all his writings and the consensus the work seems to attain in his country, it is justifiable to ask why money is important in his analysis.

---

\* GATE LSE, jacoud@univ-st-etienne.fr.

## **Time-risk-social interactions within rationality and fact-value entanglements: the premise of the “reconciliation problem” with implications in applied economics**

*Dorian Jullien, Judith Favereau and Cléo Chassonnery-Zaïgouche\*\**

The normative implications of behavioral economics are nicely captured by “the reconciliation problem” (McQuillin and Robert Sugden, 2012). The reconciliation problem is an issue about the normative interpretations of preferences that are not assumed to be necessarily coherent. The goal of this paper is to provide a methodological contribution to the understanding of the reconciliation problem by examining its premise through a connection to two other recent problems. The first problem is raised in theoretical and applied economics, and concerns the interactions among three dimensions of economic rationality, in relation to uncertainty, time, and other people. The second problem is raised in the philosophy of economics, and concerns the methodological justifications of the positive/normative distinction in economics; which we discuss through the “entanglement thesis” developed primarily by Hilary Putnam, Vivan Walsh and Amartya Sen. We will argue that the entanglement thesis offers an adequate methodological framework to capture the normative implications of the interactions between the three dimensions of rationality (time, uncertainty and other people) for economics, which is an issue that remains unclear in the literature. This argument is made in the first part of the paper where it is connected with the premise of the reconciliation problem. In the second part we illustrate our conclusions more concretely by three case studies.

---

\* GREDEG/University of Nice-Sophia Antipolis, dorian.jullien@gredeg.cnrs.fr; CES/University of Paris 1 Panthéon-Sorbonne, judith.favereau@gmail.com; and CES/University of Paris 1 Panthéon-Sorbonne, cleo.chassonnery@univ-paris1.fr.

## **Interpretation of natural law doctrine in the classical school of economic thought in France and England and the specificity of its perception in Russia. Natural law doctrine as the ground of the liberalism**

*elena kalmychkova\*\**

Why the liberal policy is always meets some serious, sometimes insurmountable obstacles in Russia? The paper will answer this question, referring to the specific economic and political conditions, and to the intellectual traditions in England, France and Russia.

In the works of Physiocrats dominated conservative and religious understanding of natural law doctrine. From this point of view, liberalism is the possibility of natural liberty in the “harmonious political regulation of enlightened sovereign”. The idea of eternal reproduction was closely linked for them with the idea of harmony in the economy and society as a whole. .

In England was mainly dominated the empirical treatment of natural law doctrine. In English classical economic tradition “moral sense” and “exchange dispose” form the basis of social contracts. Liberalism in economy becomes a manifest of empiricism and individualism in the English philosophy doctrine, and freedom thus associates with the real economic system developing under the influence of natural law doctrine.

Russian intellectual tradition is rooted in the principles of Byzantine social structure: the imperial principle of unity of the state and supranational unity of the church. Orthodox universalism doctrine adopted collectivism as opposed to individualism and natural freedom. Imperial tradition consolidated view of the state as the bearer of the transpersonal ideas, as well as the highest value.

Classical economic tradition, and hence the natural law doctrine, received special interpretation in Russia in XVIII century. The members of “Free Economic Society” and later Novikov and A.Radischev sought to adopt Physiocrats doctrine for Russia. During this period the idea of liberalism confronted the entire Russian social and economic system. The freedom for the peasants was indicated like “granted”. The true freedom, in the European sense might have only nobles .

In the XIX century Russia's widespread the ideas of Adam Smith. So . A. Shtorh, N. Mordvinov and N. Turgenev tried to rely on the doctrine of natural law in its English (most liberal ) version during the development of normative theories of public government They were able to start a discussion about the possibility of European economic ideas adoption in Russia, but showed a deep contradiction between the European and Russian political, economic, social, religious and philosophical thought.

---

\* moscow state university (M.Lomonosov), kalmychkova@mail.ru.

## Liberal Switzerland and the prospect of European peace

*Béla Kapossy*<sup>\*\*</sup>

Mid nineteenth-century Switzerland, because of the government's refusal to bow to the protectionist policies of Germany and France, was repeatedly fêted as a paragon of true liberalism and possible catalyst for the gradual introduction of an international order of free trade. The presentation will focus in on the writing of Switzerland's strongest advocate, the benthamite John Bowring, and on the reception it received with Switzerland itself. This in turn will allow us to assess the backward linkage of nineteenth-century Swiss liberalism to pre-revolutionary debates on the future of the republican political economy of the Swiss cantons.

---

\* University of Lausanne, [bela.kapossy@unil.ch](mailto:bela.kapossy@unil.ch).

## **Dissenting British Economists on Unemployment and Labour Market Policy during the Late Victorian and Edwardian Era (1880-1914)**

*Ioannis Katselidis\*\**

The Dissenting British economists under examination, who differentiated themselves with various ways from marginalists and early neoclassical authors, had an important contribution to the separation of the unemployment problem from that of poverty, seeking the gradual connection of unemployment with market mechanism and the operation of the economy in general. The fundamental objective of their research activities was not a mere theoretical analysis of the underlying causes of unemployment, but they attempted to give mainly emphasis to the job market organisation and the management of human resources.

The group of these dissenting economists includes the Fabian reformers Beatrice and Sidney Webb or the Webbs, some new liberals such as John A. Hobson, and liberal reformers like William Beveridge. In addition, there were also some other economists and social scientists like Percy Alden, Benjamin Seebohm Rowntree, Bruno Lasker and Sydney Chapman, who, in a similar vein to the above-mentioned leading figures, conducted significant labour market research.

The studies of these dissenting British authors constituted the theoretical basis for many British labour market policies implemented during the period 1880-1914. The basic pillars of their policy strategy were the following: (a) an extensive and well organized system of labour exchanges; (b) unemployment insurance at a national level; (c) public works as a countercyclical measure and (d) industrial/occupational training for the advancement of workers' skills. Moreover, they favoured labourers' collective action and held that the bargaining position of workers against employers is strengthened by government's intervention in the labour market, having thus positive effects on the working class and enhancing the efficiency of the whole economy. In addition to the analysis of a great number of labour policy issues, the dissenting authors at issue contributed also to theoretical matters concerning labour, such as the labour theory of bargaining or the theory of "the economy of high wages".

The empirical and theoretical analyses of these dissenting British economists regarding the unemployment problem and the labor market functioning played a crucial role in the emergence of "labour economics" as a special field of economic science. Their ideas, besides being interesting from a historical point of view, can also be useful in today's analysis of workers' problems and the functioning of modern labour markets.

---

\* Athens University of Economics and Business, katsel@otenet.gr.

## The Early British and American Institutionalists on the Dynamic Between Income Inequality and Crisis in Capitalism

*Bruce Kaufman*<sup>\*\*</sup>

Widely noted and debated across many countries is a pronounced trend toward rising income inequality. Also widely debated is the degree to which the shift in income distribution to the top 5% of households is a factor which helped precipitate the Great Recession and world financial breakdown of 2007-2010. Some economists of international standing, such as Krugman and Stiglitz, have argued in favor of an income inequality-Great Recession link but this position remains relatively heterodox to the mainstream part of the discipline.

To gain further insight on this topic, the paper I propose to present goes back a century and examines the writings of early American and British institutional economists on the subject of income inequality and crisis, particularly in connection with the Great Depression. The literature on Marxist-radical crisis theories is voluminous; only a very small literature, however, examines the institutionalist literature, particularly as it relates to income distribution. Institutionalists, however, were among the largest and most influential writers before World War II on business cycles, particularly if ‘institutionalist’ is broadly defined to include economists such as J.A. Hobson and J.A. Schumpeter.

The group of institutionalists most connected to the inequality-crisis topic are from America and Britain and wrote on labor economics, industrial relations, and unemployment. They include the Webbs, Cole, and Hobson from Britain and Commons, Douglas, Slichter and Tugwell from America. The four Americans are selected because they had direct influence on the New Deal economic program of the 1930s which rested, in part, on under-consumption and mal-distribution arguments.

These writers, I show, link to Malthus and Keynes because they start their macro theory by rejecting Say’s Law. The core of their argument, however, is that (1) input supply curves for capital, entrepreneurship, and professional-skilled-managerial labor are upward sloped but are horizontal for ‘common’ labor, (2) the process of economic growth shifts input demand curves rightward and increases receipts (and rents) of capital and top-end households but reduces labor’s share and the share of middle-lower households, (3) a combination of rigid monopoly prices and mostly constant nominal wage makes the real wage lag behind productivity growth, (4) eventually a situation of over-production develops, and (5) past a tipping point in the downturn, prices and wages start a general fall which leads to a deflationary spiral and collapse.

---

\* Georgia State University, bkaufman@gsu.edu.

## Kadro on Agrarian Question in Turkey

*Alp Yücel Kaya and M. Erdem Özgür\*\**

Şmail Hüsrev Tökin, in his preface to *The Rural Economy of Turkey (Türkiye Köy İktisadiyatı)* published in 1934, argues that an economist who would travel Turkey from its western to eastern frontiers would face diverse social and economic scenes: remnants from the previous centuries, mature and embryonic forms; in other words, feudal manors, large sharecropping farms, capitalist farms, small peasant farms which he analyzed throughout his book. The analysis of Tökin, an older student of the Communist University of the Toilers of the East in Moscow, follows in fact, though implicitly, that of Karl Kautsky. The latter underlined already in his *The Agrarian Question* (1899) that “the capitalist mode of production is not the only form of production in contemporary society; it exists alongside the remains of pre-capitalist modes of production, which have maintained themselves into the present day” (Kautsky, 1988 [1899], 9). A common point of the economic literature related to agriculture, from Kautsky to Michel Augé-Laribé or Alexander Chayanov, was the problematisation of co-existence of pre-capitalist and capitalist agricultural structures within the context of a capitalist economic system and the political implications of this setting. Tökin’s discussion was well part of such a literature in general but it was also part of a movement formed around a monthly journal, Kadro, published between January 1932 and January 1935. Although this short-lived movement was a product of an uncertain period in both national and international spheres, it succeeded in producing original ideas with a dependency-like developmentalist approach. Thanks to their methodological framework forged in the journal, their empirical research on the economic dynamics in Turkey in the 1930s let Tökin and others develop an authentic theoretical approach. This paper aims to explicate the analysis of Tökin in particular and Kadro journal in general on “the agrarian question” in Turkey. In order to do so it will first discuss how their empirical observations on agrarian dynamics in Turkey in the 1930s and their theoretical background on the agrarian question interacted to examine the specific aspects of Turkey’s rural economy. Secondly, it will seek to contextualize Kadro’s analysis on a policy level within the framework on “the agrarian question”.

---

\* Ege University, Izmir, [alpyucelkaya@voila.fr](mailto:alpyucelkaya@voila.fr); Dokuz Eylül University, Izmir, [merdemozgur@yahoo.com](mailto:merdemozgur@yahoo.com).



## Sakizli Ohannes Pasha’s Mebadi-i Ilm-i Servet-i Milel: Classical Liberalism in a Peripheral Costume

*Alp Yücel Kaya and Eyüp Özveren\*\**

This paper aims to begin with an analysis of the text of Sakizli Ohannes Pasha, Mebadi-i Ilm-i Servet-i Milel (Principles of the Science of Wealth of Nations, 1881) as a patchwork of imported European economic ideas. We will then proceed to the identification in this book of an illustrative exemplification of adaptation as an original genre in the nineteenth-century Ottoman economic literature. This text had played a major role in the dissemination of the classical liberal economic viewpoint among the Ottoman statesmen and intellectuals and provided a solid reception ground for Mehmed Cavid’s equally liberal canonical follow-up. By the time Sakizli Ohannes Pasha set up the classical approach for good, it was already passé in much of Europe. We will trace the structure and constituent arguments of his book back to those of European figures such as Jean-Baptiste Say, Joseph Garnier, John Stuart Mill, Gustave de Molinari, Henri Baudrillart, Joseph Garnier, and Paul Leroy-Beaulieu who inspired him or otherwise. We will show how the book has multiple roots not only in Garnier and Baudrillart as expressly stated but also in others. As such, it is a creative adaptation from several if not numerous works. We will then note how he deliberately expanded certain themes he thought were of greater relevance for the immediate Ottoman context while he played down the significance of others. We will identify where Sakizli Ohannes’s text becomes and where it chooses to remain silent by reading the text against the lessons of Ottoman economic history. Themes like the free trade, agrarian question, poverty, machinery question, banking and finance deserve a further special emphasis in this respect. We will also pinpoint how his text is more Smithian than Ricardian in spirit, despite the fact that Ricardo had cast his shadow over Smith before he was finally surpassed in the European scene. The very choice of a Smith-resonant title, focusing on the ‘wealth of nations’, shows Sakizli Ohannes’s deliberate shift backwards. It also shows how the realistic conception of economy as essentially an international rivalry for wealth and economic power among the many countries must have appealed more to the intelligentsia of peripheral Europe.

---

\* Ege University, Izmir, [alpyucelkaya@voila.fr](mailto:alpyucelkaya@voila.fr); and Middle East Technical University, Ankara; [ozveren@metu.edu.tr](mailto:ozveren@metu.edu.tr).

## Liberalism and the Early Roots of “Islamic Economics” in the Late 19th Century

*Deniz Kilincoglu* \*\*

Until the rise of protectionism in the 1880s, economic liberalism dominated economic thought in the Ottoman Empire. The 1860s and especially the 1870s witnessed the popularization of laissez-faire economics in the Ottoman Empire through articles in popular periodicals and manuals of *économie politique*. The greatest challenge for the Muslim popularizers of this new discipline was to assimilate its new and “strange” ideas into the Muslim cultural and intellectual institutional setting. To overcome this challenge, many Muslim intellectuals sought intellectual support from the main Islamic texts to convince their audience that these new ideas are in fact in compliance with Islam. Referring to certain verses from the Qur’an and stories from the early days of the Islamic history, these intellectuals provided religious backing for liberal economic concepts and ideas, such as the “invisible hand” and the importance of entrepreneurship (against the conventional statist tendencies in the empire). Although the interpretations of these verses and stories were not always entirely accurate or really relevant to the economic ideas in question, they served their purpose well, so much so that some of these examples have been reproduced in the developing “Islamic” economics of the later decades. Some Muslim-Ottoman intellectuals of the era go as far as suggesting that modern economics is not actually a “European invention,” as European economists asserted, but its roots lie in the early Islamic intellectual and political tradition. In short, Muslim economists of the late 19th century demonstrated that the liberal underpinnings and principles of modern economics are not only compatible with the Islamic belief system, but also originated from it.

This paper investigates this interesting intellectual and epistemological phenomenon that paved the way for the so-called “Islamic” economics of the 20th century. Through an in-depth intertextual study of Ottoman popular economic texts of the late nineteenth century, it analyzes the Islamic references used in presenting economic liberalism to the Ottoman public sphere, thereby examining how economic liberalism was assimilated into a Muslim intellectual and cultural setting. Referring to some prominent text of and about “Islamic economics” from the 20th and the early 21st centuries, the paper also briefly investigates how the above mentioned interplay between 19th-century liberalism and Islamic principles triggered and shaped this somewhat alternative branch in contemporary economics.

---

\* Middle East Technical University-Northern Cyprus Campus, deniztk@metu.edu.tr.

## N. Kaldor on Expenditure Tax: Through J.S. Mill and J. M. Keynes

*Yuichi Kimura* \*\*

This paper examines the theories of Nicholas Kaldor (1908–1986) on expenditure tax. The subject of Kaldor as a tax expert is well covered by the literature. However, despite Kaldor's theories of 'progressively social democracy', studies on Kaldor's social vision from the viewpoint of his proposed reforms to the tax system have been superficial. Therefore, this report researches the process of Kaldor's proposals for expenditure taxes and the resulting practical implications. It will then clarify Kaldor's vision for society considering the fact that his proposed expenditure tax referenced a viewpoint on income tax that was criticized by John Stuart Mill and by recalling the euthanasia of the rentier discussed by John Maynard Keynes. Kaldor's theories are connected to Mill's and Keynes' in that Kaldor shared various perspectives on income and expenditure taxes with Mill. Moreover, because Kaldor inherited Keynes' policy thoughts, Kaldor's concept of expenditure tax is related to Keynes's euthanasia of the rentier. Chapter I deals with the introduction. Chapter II deals with Kaldor's concept of expenditure tax in light of the following two points. First, I discuss theories concerning expenditure taxes: the relationship between Kaldor and Irving Fisher; income; expenditure; taxpaying ability; taxation and risk-bearing; taxation and incentives to work; and company taxation. Second, I discuss expenditure taxes in practice, such as the Indian Tax Reform. Chapter III deals with the relationship between Mill and Kaldor from the viewpoint of social reforms. Chapter IV compares Kaldor's social vision with Keynes' euthanasia of the rentier. The last chapter, Chapter V, concludes as follows. First, Kaldor and Mill were considered radical 20th century reformers. Second, Kaldor shared Keynes' opinion on social equality regarding the fall of the proprietary class by introducing an expenditure tax. Finally, Kaldor's contributions to tax system reforms such as his expenditure tax were highly significant, but Kaldor's expenditure tax failed to work in practice. Kaldor recognized the gap between theory and practice and criticized 'pure theories'.

---

\* Saitama University, [yuichik@mail.saitama-u.ac.jp](mailto:yuichik@mail.saitama-u.ac.jp).

## Isaac Newton, Robert Simson and Adam Smith

*Mark Knell\*\**

While at the University of Glasgow, Adam Smith studied mathematics and natural philosophy with Robert Simson. Smith cites him and Mathew Stewart, as "the two greatest [Mathematicians] that have lived in my time". Simson had a profound influence on Smith's thought, which has not been fully appreciated. He, translated Euclid and Pappus, and wrote extensively on early Greek geometry, but he was best known for his use of the ancient porism to describe Newtonian fluxions. This idea suggests that the first two books of the *Principia* are analytic (and experimental) and not synthetic as most mathematicians and philosophers in England were arguing at the time. It provided the methodological backbone of the Scottish enlightenment, which supported, as it will be argued, Adam Smith's *Wealth of Nations*.

The main objective of this paper is to clarify the relationship between Adam Smith, his teacher Robert Simson, and the method of Newtonian fluxions. Adam Smith was aware of Newton's contribution to natural philosophy. The *Belles Lettres* and the *Essay on Astronomy* are most explicit, but references to the *Theory of Moral Sentiments* and the *Lectures on Jurisprudence* are also relevant. Yet Smith does not explain how method of Newtonian fluxions are derived and used to further our understanding of nature. The reason given is that the rules concerning the didactic method are obvious. But the application of this method to Smith's thought in general and to his political economy in particular requires further explanation.

Modern interpretations of Newton, Simson and Smith have long altered the way we think of them. In the logical positivist literature, the relationship between history and theory has been enveloped in a haze that obscures their differences and similarities. By contrast, Simson used specific rules, which allowed for the interaction their interaction. Cohen argued a similar point in *The Newtonian Revolution*, citing Dugald Stewart as the last philosopher to fully understand the significance of Newton's contribution. Stewart, as it should be remembered, was Smith's friend, biographer, and commentator.

---

\* NIFU Nordic Institute for Studies in Innovation, Research and Education, [mark.knell@nifu.no](mailto:mark.knell@nifu.no).

## **A.C. Pigou's *The Theory of Unemployment* and its Corrigenda: The Letters of Maurice Allen, Arthur L. Bowley, Richard Kahn and Dennis Robertson**

*Karen Knight*<sup>\*\*</sup>

A.C. Pigou's *The Theory of Unemployment* was published in 1933 during the height of the Great Depression. The book differed from Pigou's earlier published books on economic thought in two related ways. First, the audience targeted was specifically students of economics "to clarify thought, not to advocate a policy" (1933, p. v). Pigou's previously published books had at least been accessible to an audience "other than professional economists". Second, Pigou pointedly informed his readers that he was departing from his mentor and predecessor Alfred Marshall's customary style of relegating mathematics to the background of economic argument, questioning whether Marshall's audience would not have "been better off had mathematical ideas been presented to them in mathematical form" (1933, p. vi) rather than presented in a fashion where the true meaning might remain not completely understood. Pigou instead produced a highly abstract and analytical study on unemployment that liberally employed differential calculus. Shortly after the appearance of the first printing run of A.C. Pigou's *The Theory of Unemployment*, Macmillan and Company made available to purchasers a Corrigenda slip. Reviewers of the book identified additional errors and slips, particularly in Pigou's mathematical work.

This paper considers the broad evolution of Pigou's economic thought on unemployment and the implications of unpublished correspondence discovered in the Marshall Library archives alerting Pigou to errors appearing in the first printings of *The Theory of Unemployment*. Pigou's departure from the Marshallian tradition of placing mathematics in the background of economic theorising, and reasons why his 1933 text required a substantial corrigenda, are examined. It is argued that the impact of Pigou's treatise on unemployment on the development of economic thought extended beyond its contributions to unemployment theory.

---

\* University of Western Australia, 10373192@student.uwa.edu.au.

## (Neo-)Liberals facing economic crises: Insights from the archives

*Ekkehard Koehler\*\**

Liberal economic thought is widely assumed to be biased against expansive monetary and fiscal policy, respectively. Even during times of crises, modern economic liberalism seems to opt for the “No:No” approach of 1929-32 if we consider policy choice options of the government according to the “truth-table” of Hyman Minsky (Minsky 1982:xxxi).

This impression is not only mirrored in subsequent debates on Germany’s role in resolving the Eurozone Crisis from the perspective of the history of economic thought (Bonefeld 2012, 2013; Berghahn and Young 2012). Moreover, the “No:No” bias reflects the prevailing opinion about neoliberals in the analysis of political economic thought after the Great Depression (Mirowski and Plehwe 2009). The “No:No” therefore resembles the assumed starting point from which the neoliberal schools of economic thought evolved. The purpose of the paper is to discuss if the aforementioned mentioned and commonly assumed “No:No” bias of neoliberals withstands closer scrutiny. With this objective in mind, I re-examine the main figures of the Freiburg School of Economics (Walter Eucken), the Austrian School of Economics (Friedrich A. v. Hayek) and – most notably – the ‘Old’ Chicago School of Economics (Henry Simons) with respect to their individual opinion on the “No:No” in the times of economic distress.

My aim in this paper is to show the perplexing diversity in their views on political choice during economic crises. A rediscovered diary and never before quoted archive material supplement fresh insights to the central question how the “neoliberal” state should react in this case. There is evidence that Eucken, Simons and (later) Hayek left the “neoliberal” mantras behind the “No:No” (“internal devaluation” and “input factor price flexibility”) in support for a massive but short-lived economic stimulus. The option of a “Yes:No” has so far only been discussed in Simons work. Hayek withdrew his strong rejection of a stimulus in the late 1960’s. Walter Eucken – as new sources suggests – was much more relaxed with the Lautenbach-Plan than commonly assumed. These findings however do not contradict with their conjoint preference for rules over discretion. The paper concludes with a summary of the significant results for the current state of research in the history of economic thought.

### References

- Berghahn, Volker and Young, Brigitte 2012: “Reflections on Werner Bonefeld’s ‘Freedom and the Strong State: On German Ordoliberalism’ and the Continuing Importance of the Ideas of Ordoliberalism to Understand Germany’s (Contested) Role in Resolving the Eurozone Crisis”, in: *New Political Economy*, Vol. 18, No. 5, pp. 768-778.
- Bonefeld, Werner 2012: “Freedom and the Strong State: On German Ordoliberalism”, in: *New Political Economy*, Vol. 17, No. 3, pp. 1-24.
- Bonefeld, Werner 2013: “On the Strong Liberal State: Beyond Berghahn and Young”, in: *New Political Economy*, Vol. 18, No. 5, pp. 779-783.
- Minsky, Hyman P. 1982: *Can “it” happen again: Essays on instability and Finance*, Armonk: Sharpe.
- Mirowski, Philip and Plehwe, Dieter 2009: *The Road from Mont Pèlerin - The Making of the Neoliberal Thought Collective*, Cambridge: Harvard University Press.

---

\* Walter Eucken Insitutut and University of Freiburg, koehler@eucken.de.

## A Study of Methodology on Arthur Lyon Bowley and Alfred Marshall

*Masashi Kondo*<sup>\*\*</sup>

Throughout the history of statistical thought, the works of T.R. Malthus (1766–1834), W. S. Jevons (1835–1882), and F.Y. Edgeworth (1845–1926) have long demanded scholarly attention. However, the equal contributions of A. Marshall (1842–1924) and A.L. Bowley (1869–1957) have received relatively insufficient attention in comparison. Given this gap in the literature in this regard, this paper examines the statistical methodology of Bowley, a follower of Marshall and a developer of his economic theories.

During the early stages of his study, it was generally said that Marshall had formulated Ricardo and Mill's economic theories; therefore, it seems as though he might have employed a deductive methodology. However, throughout his academic career, from his days as a young scholar to late in his life, Marshall was interested in research factories and in industry in the UK and the US, and he collected and analysed data, statistics, and facts on these topics. In particular, he placed high value on these kinds of works in addition to attaching great importance to his own research.

Under Marshall's influence, Bowley considered the application of statistics to the social sciences for the improvement of society. In this way, he contributed to the development of applied economics, suggesting that he was more a follower of Marshall's applied economics than a theoretical economist such as Keynes (1883–1946) and Pigou (1877–1959). Indeed, he applied to economic theories from statistics and economics to contribute to the body of knowledge on social sampling.

The purpose of this paper is to study a statistical methodology of Arthur Lyon Bowley, an inheritance of Alfred Marshall and development of his economic. Bowley was studied mathematics at Trinity College at Cambridge in 1888. After graduate, he was advised to study economics by Marshall. Under his influence, Bowley considered the application of statistics to the social sciences for the improvement of society. Bowley was part-time lecturer in 1895 and had a first seat of Statistical Professorship (1919) at London School of Economics. He was a pioneer of utilizing statistical methods in the field of economics and also contributed to the development of applied economics under Marshall. This study intends to discuss the following aspects in particular: (1) the brief introduction to Arthur Lyon Bowley; (2) an introduction to Bowley's earlier studies and their assessments; (3) a statistical and economic methodology on Alfred Marshall; (4) Bowley's *Elements of Statistics*, 1901 (5) a statistical methodology on Bowley; (6) and relationship between Marshall and Bowley on Cambridge School and LSE. This paper expects to more clearly show that Bowley was influenced by social science, and contributed from statistics and economics to social sampling under Marshall.

---

\* Osaka Prefecture University, kondo@eco.osakafu-u.ac.jp.

## Smithian Interpretations of Trust Games Context and In-Group Perception

*Peter Kowyk\*\**

The concept of society plays a central role in the understanding of Adam Smith's work. Thereby the distinction between close-knit communities, ruled by an in-group relation, and self-regarding money ruled societies is not enough for a successful classification. In particular this paper suggests an in-group and out-group distinction that corresponds with Adam Smith's remarks on the arising of a 'special bond' between people. Furthermore this paper provides by resort to social identity theory a non-utilitarian trust-game interpretation, as expressed in The Theory of Moral Sentiments. It advocates for an in-game 'rule change,' guided by changing perception of the counterpart.

---

\* University of Hamburg, peter.kowyk@wiso.uni-hamburg.de.



## **Piero Sraffa's early work on joint production: probing into the intricacies of multiple-product systems**

*Heinz D. Kurz and Neri Salvadori\*\**

Already at an early time, that is in the late 1920s, began to analyse the cases of scarce natural resources, especially land, durable instruments of production and joint production proper. It is shown that in the cases of land and joint production Sraffa started from Marshall and first interpreted Ricardo in a Marshallian way. However, he soon saw that the Marshallian interpretation was not faithful to what the classical authors and especially Ricardo had put forward. As a consequence he abandoned this interpretation and elaborated one which he felt was fully in the spirit of the classical approach to the theory of production, distribution and value.

While he was able to solve the problem of fixed capital already in the second period of his (re)constructive work (1942-1946), the problems of intensive diminishing returns and thus intensive rent and the problem of joint production proper were solved to his satisfaction only in the mid 1950s.

The paper provides a summary account of the problems Sraffa dealt with in his endeavour to re-establish "the standpoint of the old classical economists from Adam Smith to Ricardo", the ways in which he attempted to tackle them, the difficulties he encountered and the solutions he finally found. The role of Sraffa's "mathematical friends", Ramsey, Besicovitch and Watson, is discussed in some detail.

---

\* University of Graz, heinz.kurz@uni-graz.at; Università degli Studi di Pisa, nerisal@ec.unipi.it.

## The “Consumer Sovereignty” Theory in Liberalism : Hayek and Galbraith on human needs and desires

*Stephanie Laguerodie* \*\*

In the nineteen-fifties, John Kenneth Galbraith began his life-long struggle against a widely held corpus of economic opinions, that he baptized “conventional wisdom”. By this expression he meant a whole set of ideas and arguments used in public discourse, not only by journalists and politicians, but even by an important part of his own colleagues. He believed that this “conventional wisdom” was not just a set of unconnected opinions, but a body of conclusions more or less flowing from neo-classical theory. In a nutshell, these opinions contributed to the belief that free-markets were stable and efficient.

One of the most important ideas that Galbraith criticized in this ‘conventional wisdom’ was the doctrine which has been called ‘consumer sovereignty’. This doctrine seems to be composed of (at least) two different propositions. The first is that, when markets are left perfectly free, the result they produce corresponds (as closely as is humanly possible) to “what consumers desire”. The second holds that this is “a good thing”, and that this is how things should be. The ultimate master concerning what is to be produced and sold should be the consumer and not, for example, government experts deciding.

For Galbraith, this doctrine comes from or is implied by the consumer theory of the neoclassical model. He believed that there is a logical link between this consumer theory, the idea of consumer sovereignty and the tendency of free-markets to produce a social optimum. So he concentrated his arrows on the consumer theory adopted in mainstream academic thought, particularly on what he saw as its fundamental assumptions. These assumptions concern the nature of needs, their non-limited and non-ordered aspect, which (according to Galbraith) are inherent in neoclassical theory. If you start from other assumptions on the needs, you arrive at different conclusions concerning maximization of consumer utility and therefore that of society. It seems that by concentrating on the nature of needs, Galbraith put his finger on a very sensitive point insufficiently examined in the classical liberal tradition. Actually, after his famous book *The Affluent Society* appeared, a big theoretical struggle began. An avalanche of criticism flowed from Hayek (through papers) and Friedman (through a book), great defenders of the free-market efficiency doctrine, while large number of other economists supported him, recalling the fact that Galbraith’s ideas had also been defended by John Stuart Mill and Keynes.

We will recall this debate showing the implication of theses hypothesis on the needs for the free-market efficiency theory, with on a side Galbraith and authors of the XXe century sharing his opinion and on the other side Hayek and Friedman. In the first part of the paper we examine the psychological elements developed by the authors and how they are related to the consumer theory. Then we show how it determinates the social optimum on each side.

---

\* University Paris 1 Panthéon-Sorbonne, stephanie.laguerodie@gmail.com.

## What capital really means: the forgotten debate between Lange and Knight in the 1930s Chicago

*Roberto Lampa\*\**

Despite it was largely eclipsed by the contemporary publication of Keynes' General Theory, the cut and thrust between Lange and Knight represented an important passage of the 30s debate on capital, second in importance only to the previous clash between Hayek and Sraffa.

To many extent, the controversy was a direct consequence of the authors' background: just as Lange was a Marxist, a connoisseur of the Pareto-Walrasian tradition and a good mathematician, Knight was a conservative who substantially ignored the general economic equilibrium theory and skeptical about the use of algebra. In fact, we can affirm that Lange's article was aimed to formulate a more general as well as more realistic theory of capital: evidently, this was a clear reference to the Neo-Positivist roots of the Lausanne School. More in detail, the pursuit of universality is evidenced by the first part of his 1936 article (The Place of Interest in the Theory of Production), in which Lange deals with the "Robinsonade". Exactly like Walras (in the Elements), the Polish economist began his analysis on the pure abstract level of investigation, since economic theory "as such" must hold for any economic system.

However, albeit he refused these theories "as such" (since they were lacking of generality), Lange tried to integrate the essence of both the Austrian and Knight's theory of capital into a more generalised theory. We can thus conclude that, in this article, Lange implicitly reaffirmed both his criticism against the economic schools and his general belief in a "great synthesis", already evident in his previous works. In turn, such a "great synthesis" had to be based on a generalised Walrasian theory.

On the other hand, the article showed also a remarkable care for the realism of such a re-written theory, as shown by the references to Schumpeter's and Cassel's theories of capital.

In other words, Lange believed that the assumptions of the economic theory had to be "empirically" verified, in light of the effective functioning of a capitalist economy.

From this point of view, he implicitly stressed that one of the hypothesis assumed by the traditional theory was particularly unrealistic, namely that of considering a market economy always capable of growing, i.e. the adoption of the corollary of Say's Law.

In Lange's view, the 1929 breakdown clearly showed that in a capitalist system there was no natural tendency towards equilibrium. Furthermore, Lange outlined also the possibility of assuming an alternative institutional framework, i.e. a socialist economy:

By the way, we have to notice that in the same year Lange published a second article ("On the economic theory of socialism"), in which he emphasized that an optimal allocation of resources (i.e. a perfect saturation with capital) can be attained more easily in a socialist system, since in this latter saving is performed "corporately".

In conclusion, Lange's article (in the same way as his 1935 *Formen der Angebotsanpassung und wirtschaftliches Gleichgewicht*) was an attempt to conjugate both a scientific and a critical investigation. On the one hand, the Polish tried to define, once and forever, the abstract and universal purposes of the theories of capital, of production and interest, "in view of the confused state in which the theory of interest is at present" (pag. 159).

On the other hand, Lange highlighted the main institutional obstacle which prevents such purposes from being achieved, that is the actual functioning of capitalist economies.

In turn, both the dimension of the article constituted a necessary premise to the following economic policy proposal: the transition to a (market) socialist system, which was developed in the following (and famous) work *On the economic theory of socialism*.

---

\* CONICET and University of Buenos Aires, robertolampa@gmail.com.

## Challenging Standard Non-Cooperative Game Theory? From Bacharach’s “Variable Frame Theory” to “Team Reasoning”

*Lauren Larrouy*<sup>\*\*</sup>

The paper concerns the justification of coordination and cooperation in Bacharach’s work within a standard non-cooperative game theoretical framework.

The aim of this paper is to underline the historical evolution of Bacharach’s thought through his two main theories: the “Variable Frame Theory” and the “Team Reasoning”.

The paper reconstructs the coherence of the explanations of coordination and cooperation within these two theories as changes in both the rationality and the identity of players.

I will try to show that, throughout his work, Bacharach attempts to explain coordination and cooperation in a non-reductionist account. At the opposite of neoclassical economics, and hence of standard non-cooperative game theory, he tries to avoid the explanation of collective states by the aggregation of individual preferences. Hence he justifies coordination and cooperation as a process leading both individuals and the collective to a higher desirable state. Nevertheless as coordination and cooperation cannot generally be sustained in standard non-cooperative game theory (for instance, we must refer to the well-known ‘indeterminacy problem’ and to the outcome of mutual defection in prisoner’s dilemma), he re-specifies both (i) individual rationality in games and (ii) the standard conception of players.

I assert that, by (i) the inclusion of players’ frames within games in ‘Variable Frame Theory’ and (ii) the conceptualization of collective mode of reasoning in ‘Team Reasoning’, he progressively modifies players’ rationality. Hence, I will emphasize how two new concepts of rationality emerge: social rationality (meaning that players’ choices are grounded on cultural determinants) and collective rationality (since players agree to be interdependent in order to reach a collective outcome and are each aware of this fact). Besides, as it is generally assumed in game theory, players are ideally rational thinkers, endowed with unlimited cognitive capacities and perfect knowledge, and are disembedded from their context. Bacharach argues that this conception of players is a misleading path. That is why rationality should be understood as a valid – i.e. Pareto efficient – mode of reasoning within a realistic conception of players.

---

\* University of Nice Sophia-Antipolis, [Lauren.Larrouy@gredeg.cnrs.fr](mailto:Lauren.Larrouy@gredeg.cnrs.fr).

## The concept of human capital, an impasse?

*Charlotte Le Chapelain* \*\*

Analysis about the economic role of individual's skills and abilities far preceded what we call today the "Revolution of Human Capital" (on the historical roots of the concept of human capital see Kiker 1966). But the formalization of these ideas and their introduction to the core of economic theory only emerged in the 1960s. Several moments are habitually recognized as fundamental steps laying the foundations of the human capital theory. Schultz' articles published in 1959, 1960 and 1961, the issue of the Journal of Political Economy, "Investments in Human Beings" in October 1962, Gary Becker's books "Human capital" (1964) and the work of Mincer (1959) are identified as crucial contributions (see for instance Blaug 1970, Teixeira 2000). They have paved the way for a considerable amount of developments in many fields of economic analysis. Growth theory is one of them. The concept of human capital has played an important role in this field since the 1960s and even more since the renewal of interest in growth theory that followed endogenous growth models in the 1880s. One major challenge in this field of inquiry is to measure at the macro level the stock of human capital. Surprisingly, human capital is often approximate through rough measures of education. The concept appears mainly in this research program as a metaphor far from the capital definitional scheme within which it has originally been formulated.

In this contribution, we ask whether the way the human capital concept was defined in the 1960s - using analogy to physical capital - hasn't become a straightjacket hampering a closer examination of the role of education at the macroeconomic level - especially its role on economic growth. Following this questioning, we wonder if the limited attention paid to Condorcet and Marshall analysis (especially Condorcet analysis) about the role of education at the level of a nation doesn't follow the fact that they don't suit well to the capital analytical framework (by contrast to Petty or Smith's analysis for instance).

---

\* Université Lyon 3, [charlotte.le-chapelain@univ-lyon3.fr](mailto:charlotte.le-chapelain@univ-lyon3.fr).

## How we became rational: the duality of the economic man

*Guilhem Lecouteux*<sup>\*\*</sup>

Rationality constitutes one of the core assumptions of neoclassical economics, but it appears that the two main arguments justifying this hypothesis are grounded on two quite different conceptions of the “economic man”, one as the simplification of a real individual and another as a representative agent. We show that this duality finds its origins within the marginalist revolution: while Jevons and Menger considered economics as a science of individual choice, Walras and later Marshall considered it as a science of social institutions. These two specific methodological approaches generated two distinct figures of the economic man, and we suggest that the current ambiguity about the nature of the neoclassical economic man results from the homogenization of those two approaches through Pareto’s definition of the Homo oeconomicus. We are then able to question the relevance of assuming a rational behaviour when studying individual choices, since rationality is probably a property of a specific social institution – repeated markets – rather than of individual choice.

---

\* Ecole Polytechnique, [guilhem.lecouteux@polytechnique.edu](mailto:guilhem.lecouteux@polytechnique.edu).

## **Yan Fu and Kaiping Mines: the Meaning of Economic Liberalism in Early Modern China**

*Qunyi Liu* \*\*

The assertion of modern liberalism in China took place no earlier than the 19th century. Similar to other early modern thoughts, liberalism had been treated as a central value to secure wealth and power that enabled western nations to surpass over China and related with the authoritarian state continually. Some elites in China imported the western liberalism self-consciously directly from Europe and European offshoots or indirectly from Japan. Yet the transmission was not been thought of thoroughly successful as misunderstandings were not scarce in the process of translation and interpretation. And individual autonomy and personal freedom were neglected or even abandoned when choice had to be done between national and individual interests. However, if putting the reception of western liberalism in another way, those middlemen of China, as it were, had mixed European sources and their own orientations toward Confucianism and Legalism and created an Eastern paternalistic liberalism unintentionally. We name it “State Liberalism”. With the intention of social responsibility, the elites might promote to preserving an individual’s liberty with the belief that the people were the root of government while still leading them towards choices that were compromised with national interests. In other words, the state has been entitled with the status as an individual and should been given liberty and autonomy. It was those intellectuals who had laid the first stone of economic liberalism in China. This paper will examine the state liberalism with a study of an individual thinker Yan Fu, who is labeled as “the Father of Liberalism” in China. The paper is organized as follows. After the introduction, section II is Yan’s brief biography and his relation with Kaiping Mines. Section III focuses on his translation of *On Liberty* and his economic practice about liberty in the Mines. Section IV discusses his main understandings on autonomy of the state and a study on statecraft (jingshi) is to be a highlight. Section V goes with a few concluding remarks.

---

\* Peking University, lqunyi@gmail.com.

## **Economic liberalism & Saint-Simonianism: a new look at the commercial crises of the early 19th century**

*Adrien Lutz*<sup>\*\*</sup>

In the early 19th century, economic liberalism faced strong criticism over the persistence of commercial crises and general gluts. Indeed, authors such as Sismondi (1773-1842) condemned the adverse effects of the liberal system and, by extension the saint-simonian movement (1825-1832). Their willingness to replace the system of - what they used to call - unlimited competition by the system of association, made them powerful opponents for the different liberal authors of their time.

However, even if economic thought uses to see intellectual affinities between Sismondi and the Saint-Simonians, both concerned with the social question, usually opposed to liberalism; we notice that some strands of the saint-simonian theories are compatible with liberalism. More precisely, we argue that debates underlying commercial crises shed light on intellectual affinities with liberal authors such as Jean-Baptiste Say (1767-1842). While admitting the existence of general gluts, the Saint-Simonians argue that if production is more mobile (e.g. in space) and the economic activity more dynamic, then friction problems can be avoided. On those particular views, rather than Sismondi, they would join a priori Jean-Baptiste Say and his famous law: overproduction of a given commodity is no more than a short supply of other commodities it can be traded with. Those affinities clearly appear as a paradox that needs further investigation. To do so, we identify major aspects of these three different though related contributions; in particular through their respective conception of the political economy, their vision of commercial crises and the solutions they propose to implement.

---

\* Université Jean Monnet, [adrlutz@gmail.com](mailto:adrlutz@gmail.com).



## Olmsted, De Bow, and the Weight of Evidence

*Harro Maas*<sup>\*\*</sup>

This paper contrasts two modes of observing the American Slave South: Frederic Law Olmsted's travelogues, republished in 1861 as *The Cotton Kingdom: A Traveller's Observations on Cotton and Slavery in the American Slave States*, and James D.B. De Bow's *Industrial Resources, etc., of the Southern and Western States* (1853). Olmsted is best known for his designs of Central Park in New York City and Prospect Park in Brooklyn, but his observations on the American Slave South, commenting on its economy, were eagerly read in the North in the run-up to the Civil War. De Bow's statistical work functioned similarly in the South. De Bow, born in Charleston in 1820, was an American business journalist and statistician who superintended the American census of 1850. He is known as a fire-eater, who used statistics as a means to promote the case of the South. In 1846 he started publishing *The Commercial Review of the South and West* on a monthly basis, compiling the work in his three-volume *Industrial Resources and Statistics of the Southwest* (1853). He was appointed to a short-lived chair in political economy that was funded by a friend at the new University of Louisiana. Nowadays it is commonly held that Olmsted's observations were highly partisan. My question is how we can see partisanship at work in De Bow's uses of statistics.

In contrasting De Bow's use of statistical evidence with Olmsted's travelogues my final purpose is to question the weight of evidence on the American Slave South. I will use contemporary criticism on John Elliott Cairnes' use of both sources of evidence as an entry point for my discussion.

---

\* Utrecht University School of Economics, h.b.j.b.maas@uu.nl.

## Robert Triffin: a hedgehog in pursuit of European monetary integration

*Ivo Maes and Eric Bussière\*\**

Robert Triffin was both an eminent academic and an influential policy advisor (especially to Jean Monnet and the European Commission). He became famous with trenchant analyses of the vulnerabilities of the Bretton Woods system. This paper, based on original archival research, shows Triffin's central role as the "arch monetarist" in the debates on European monetary integration. In Triffin's view, the so-called "own house-in-order" approach, very influential in Germany, was not sufficient for a sustainable international and European monetary system. In order to tackle the flaws inherent in the system, Triffin pursued a two-pronged strategy with proposals for a global reform and, as he doubted the feasibility of such reforms, a regional approach, starting with the European Payments Union. After the Treaty of Rome, he developed proposals for a European Reserve Fund and a European currency unit. While many of his ideas were rather utopian, they were influential in shaping the debates and preparing minds for the euro.

---

\* National Bank of Belgium, [ivo.maes@nbb.be](mailto:ivo.maes@nbb.be); Université Paris Sorbonne, [Bussiereeric@aol.com](mailto:Bussiereeric@aol.com).

## On the Comparative History of Economic Thought: Towards a Global Approach

*Antonio Magliulo*<sup>\*\*</sup>

The history of economic thought has so far mainly been a history of Western economic thought. Scholars have discussed for a long time about the “right method”, disputing on relativism and absolutism rather than on internal or external approaches.

It has also developed a huge literature concerning the national styles and traditions. But the “great history” remains focused on Western culture. In every textbook there is no space, excluding some footnotes, for other traditions or national styles.

The reason is that modern Economics was born and flourished within the dominant Western world. The West conquered science as well as society, and appeared to be the Universal Civilization. Why should we have studied “minor worlds” such as China or India? “It’s all in Marshall”, said Keynes.

Therefore we have had a universal history of economic thought with some appendices of national traditions. At most, we were interested in the international spread of Western ideas (Smith ... Keynes across nations). In the last decades everything has changed. New countries have emerged in the international arena. Walls have been broken down – in Europe, China and Africa – and people have started to travel, work, study all over the world. We have moved into a global and intercultural society where everyday face-to-face interaction takes place among people with different values and attitudes. Cultural diversity has become a key factor of peace and development. A growing need for mutual understanding fueled a new wave of interest in comparative studies: one compares legal, economical, political and cultural systems in order to assess their affinity or aversion. In this paper I would like to show how the history of economic thought could give a contribution to a better knowledge of our intercultural society developing a comparative approach. It seems to me that historians of economic thought have devoted little attention to this topic, that was analyzed in depth by other historians. The work is divided into three parts. In the first one, I sketch a brief history of comparative history. In the second one, I suggest a framework for developing a comparative history of economic thought. In the last one, I outline a case study comparing Chinese and Western modern economic thought. In the conclusions, I summarize the work declaring my thesis.

---

\* Rome University of International Studies, [antonio.magliulo@unint.eu](mailto:antonio.magliulo@unint.eu).

## **N.D. Kondratiev's Design of the Theory of Economic Dynamics, or Dialogue through the Prison Walls**

*Natalia Makasheva\*\**

N. D. Kondratiev's destiny and heritage contain quite a few of puzzles, and one of them is represented by his unrealized project of the general theory of economic dynamics. Kondratiev was working on this project during about six of eight years imprisonment (1930-1938). Like many Western economists, Kondratiev realized that the lack of the general theory of dynamics was a serious problem for the modern economic science. By the scholar's idea, the general theory of dynamics was to resolve the whole set of theoretical and methodological problems – to bridge the gap between the theoretical and empirical approaches, to reconcile statics with dynamic approach and, finally, to incorporate the cycle theory in and as a part of the general theory of dynamics. He planned to write a whole set of books: on short cycles and crises and on long cycles, on methodological problems and on trend, and to finish everything with the book on the synthetic theory of socio-economic genetics or development.

Kondratiev did not implement his plan, and we can only speculate on the logic and content of his project. What is available for us includes the articles written before the arrest, the unfinished (rather, interrupted in half-word) book “Basic Problems of Economic Statics and Dynamics” written in Lubyanka and Butyrskaya prisons in 1930-1931, the model of the economic dynamics that is a conclusion from the lost book on trend and the letters with the lists of articles and books that were necessary for his work. The paper contains a possible interpretation of the logic and content of the project in the context of debate among Western economists (S. Kuznetz, H. Moore, A. Mitchell and others) about the way of reconciliation of the cycle theory and the general economic theory and the possibility of the pure theory of economic dynamics, which took place at that time.

---

\* Institute of Scientific Information for Social Sciences and National Research University - Higher School of Economics, nmakasheva@mail.ru.

## Whatever happened to the Keynesian multiplier?

*Maria Cristina Marcuzzo*<sup>\*\*</sup>

The topic of my contribution is the link –in both directions- between economic thinking and facts. I want to explore the circumstances which prompt a coming back of ideas previously discarded or forgotten either because believed to have been disproved or surpassed by a better theory. I would argue that facts are increasingly identified with empirical estimates of models which are believed to incorporate the progress made by the economic literature. These “facts” are heavily dependent by the choice of the models and the methodology employed to find them.

This is the case of the Keynesian multiplier which has a story of alternate acceptance in the over 70 years of its existence. After more than 20 years of neglect and suspicion by the majority of the profession it has come back into favour. The history of this concept and its fortune with its empirical testing provides an interesting illustration of this cyclical pattern.

---

\* Sapienza, Università di Roma, [cristina.marcuzzo@uniroma1.it](mailto:cristina.marcuzzo@uniroma1.it).

## The Logical Construction of Ricardo's Tax Theory

*Atsushi Masunaga*<sup>\*\*</sup>

The purpose of this presentation is twofold. First, the logical construction of Ricardo's tax theory, developed from chapters 8 to 18 in his book (*On the Principles of Political Economy and Taxation*, 1821 (3 ed.); 1817 (1 ed.); henceforth *Principles*), will be elucidated. Second, certain overlooked aspects of Ricardo's tax theory will be analysed and their political implications will be demonstrated.

Sraffa pointed out that the order of chapters in *Principles* is essentially similar to that of Adam Smith's *Wealth of Nations* (Book 5, chapter 2). Sraffa's interpretation may be somewhat valid, but it cannot explain the existence and importance of Ricardo's 'Taxes on Gold' (chapter 13 in *Principles*). Therefore, in this presentation, the logical construction in the chapters on taxation in Ricardo's *Principles* will be considered, not from the viewpoint of the comparison with Smith's *Wealth of Nations* but from that of the inherent logic in Ricardo's *Principles*. By using this approach, it will be clarified that Ricardo's tax theory was based not only on the labour theory of value and the theory of differential rent, but also on the distinction of two factors of price change (the change in production condition and the rise or fall in the value of money).

I will also argue in this presentation that there are two main themes in Ricardo's tax theory. One is the application of the inverse relationship between wages and profits, derived from the labour theory of value and the theory of differential rent to the problems of taxation. The other is the demonstration of the implications arising from Ricardo's critique of Smith's doctrine (that the price of grain regulates the price of labour and all other domestic commodities) on problems related to taxation and trade policy.

Ricardo believed that the fallacy of Smith's doctrine lay in its failing to distinguish a change in the price of grain due to the increased or decreased difficulty of production with that due to a change in the value of money. Ricardo's discussion in this manner is consistent with the content in section 7 in chapter 1 ('Different effects from the alteration in the value of money, the medium in which PRICE is always expressed, or from the alteration in the value of the commodities which money purchases') and in chapter 7 ('On Foreign Trade') in *Principles*. This belief will be confirmed in this presentation. Subsequently, I will consider the influence of the blurring of two factors that may lead to price changes (that is, the change in production condition and the rise or fall in the value of money) on taxation and trade policy; I will also demonstrate the differences between Smith and Ricardo as regards political reform.

---

\* Chuo university, masunaga@tamacc.chuo-u.ac.jp.

## Looking for the human capital revolution's foundations

*Sylvere Mateos*<sup>\*\*</sup>

There is a relative consensus in the secondary literature that dates the human capital revolution from the 28th December 1960, when Theodore Schultz delivered his Presidential Address at the Seventy-Third Annual Meeting of the American Economic Association (Blaug, 1976, 827). However, the three main pioneers of this revolution, Garry Becker, Jacob Mincer and Theodore Schultz himself, published their first articles on the topic from 1958 onwards. Historians of economic thought have scantily studied this first period, from 1958 to 1961, yet it is precisely at this time that the theoretical foundations of human capital were laid. We will see how the theoretical framework of human capital was built during these early years. The essence of the revolution lay in considering quality of labor as a result of an investment in capital that enhances human productive capacities. The first question that economists need to address is that of the definition of human capital. On analysing the first papers of the revolution, we note a marked failure in the attempts to give a robust definition of the concept. Schultz alone tries to tackle the issue, but his answers are neither very complete nor convincing (I). Becker and Mincer even avoid proposing any rigorous definition (II). We think the reason for this failure is that they concentrate their attention on estimating human capital, particularly on the rate of return of investment in education. However, they do not use the same process to estimate the rate of return. They set out their own problems of measure, and there is a lack of consistency in their different approaches. Schultz concentrates on the costs of education (III), Mincer on the measure of the amount of education (IV), and Becker on the external return of education (V). These discrepancies are all consequences of the original error, which was to avoid rigorously defining the concept of human capital. The initial version of the human capital research program contained genuine shortcomings.

---

\* University of Lyon 2, s.mateos@univ-lyon2.fr.

## **Pareto and Pigou: the new edition of the Manual and the latest edition of the RESS**

*Michael McLure* \*\*

To mark the 50th Anniversary of the *Revue européenne des sciences sociales*, published in December 2013, and the critical and variorum edition of Pareto's *Manual of Political Economy*, published in May 2014, this presentation reviews the author's treatment of Pareto and Pigou in both publications. In particular, the respective reflections of Pareto and Pigou on the quantity theory of money, especially their concerns with that theory and the difference in their rhetoric on the subject, will be highlighted. Pareto's and Pigou's contrasting positions on collective welfare will also be considered, as will the misinterpretations and errors in Pigou's analysis that culminated in his rejection of Pareto's law of income distribution. The presentation concludes with some thoughts on the main similarities and differences between these two second generation leaders of the Lausanne and Cambridge schools.

---

\* University of Western Australia, michael.mclure@uwa.edu.au.



## **Ricardo's and Malthus's Common Error in their Conflicting Theories Of the Value of Labour**

*Ferdinando Meacci\*\**

The controversies between Ricardo and Malthus reached a new peak when Malthus published his pamphlet *The Measure of Value Stated and Illustrated* and Ricardo responded by his critical *Notes on Malthus's 'Measure of Value'* (1823 [1992]) and by a further round of correspondence with Malthus (Works, IX). The new (and final) stage of these controversies was concerned with the two authors' conflicting theories of value and, within these theories, with the excruciating issue of the invariable measure of value. Starting from some insights provided by Malthus and Ricardo in their major or final contributions, this paper deals with a rather neglected component of their controversies, i.e. with the theory of the value of labour as distinct from the value of its products. This will be done by highlighting two sets of ambiguities which affect both Ricardo's and Malthus's arguments. One of these hinges on the ambiguity conveyed by the word labour in so far as this reflects the three different concepts of labour power, living labour and dead labour. The other set hinges on the different ambiguity conveyed by the word value especially when it comes to the value of labour. For this word was used in those controversies (as well as in other parts of classical theory) to convey not only the two elementary concepts of use-value and exchangeable-value but also, within the former concept, the two further concepts of the (positive) use-value of labour from the standpoint of its employer, and of the (negative) use-value (disutility) of labour from the standpoint of the labourer. The latter is the sense in which Smith's ambiguous notion of the "value of labour to the labourer" and his related corollary of the constant "price" of labour (WN, I,V,7-8) must be understood if his system of thought (including its crucial notion of value as labour command) is to stand against Malthus's misleading attempt to protect it from Ricardo's criticisms. In this sense, Malthus's attempt and Ricardo's criticisms may be jointly regarded as a result of their common error of understanding the value of labour exclusively in the sense of its exchangeable value (which is rightly regarded by Ricardo as –normally- varying and wrongly assumed in Malthus's *Measure of Value* as –strangely-constant).

---

\* University of Padova, [ferdinando.meacci@unipd.it](mailto:ferdinando.meacci@unipd.it).

## Protectionist Dilemmas and the Doomed Trade Deal of Messrs. Ulysses S. Grant and Matías Romero

*Stephen Meardon* \*\*

Ulysses S. Grant's late career in commerce and diplomacy, like his previous endeavors up to and including his presidency, was checkered. It was distinguished by his heading a diplomatic delegation in 1883 to negotiate a treaty of reciprocal tariff reductions with Mexico. It was marred by the fact that, although the treaty was both signed and ratified, it never took effect.

Why it didn't is a story of colliding interests and ideas not only between free traders and protectionists but also, and more interestingly, among them. Politicians, industrialists, journalists, and intellectuals of both camps were divided as to whether the treaty negotiated by Grant and his counterpart, former Mexican minister to the United States Matías Romero, promoted their cause. The division among protectionists, particularly those north of the border, was significant both for the treaty's failure and for later protectionist doctrine and policy.

Other authors have discussed ably the collision of interests among protectionists in relation to the Grant-Romero treaty. The present essay is more about the collision of ideas. The collision was manifest in correspondence by Grant himself, who wrote to a close associate of his motives in pursuing the treaty: his high opinion of the Mexican people and their capacity for development with outside aid; his wish that the United States and not others should have the advantage of giving the aid; his desire to promote republican governance in Mexico; and his notion that the treaty would promote a particular pattern of trade that would be consistent with protectionism.

None of Grant's professed objectives was alien to American protectionists. The motive of capturing the greatest advantage among Mexico's partner from trade with that country, of making Mexico's trade "ours" and nobody else's (least of all Great Britain's), reflects the international rivalry shaping Henry Clay's "American System." The motive of encouraging republican governance, which Clay also professed, reflects an anti-imperialist animus voiced earlier by Mathew Carey. The motive of promoting a particular pattern of trade, namely one that fostered domestic manufactures, may be found in the logic of economic nationalism articulated by Friedrich List during (as after) his American sojourn. And the motive of helping foreign countries develop their resources, ostensibly for their benefit, reflects a cosmopolitan sentiment that has waxed and waned in the American protectionist tradition. The "pyramid theory" of Henry C. Carey is one expression of it, and the work of Carey's follower E. Peshine Smith as adviser to the Japanese government in the 1870s is arguably another.

The trouble for protectionists was not in having any particular one of these motives, but in having multiple or all of them. Each pair of them – international rivalry and anti-imperialism, economic nationalism and cosmopolitanism – presents a dilemma. For each pair, for coherence's sake, the doctrinaire protectionist must choose one of the motives or somehow reconcile the two. To reconcile them is not impossible, but it is complicated. It is even more so if the purpose is to reconcile both pairs at once.

The task belongs less to politicians than to political economists. Grant himself did not have proffer satisfactory resolutions to the protectionist dilemmas, but in order to rally protectionists to support the treaty he had at least to allude to them. In the event, he could not. This essay aims to show why not.

---

\* Bowdoin College and Universidad EAFIT, [smeardon@bowdoin.edu](mailto:smeardon@bowdoin.edu).

## First World War and economic liberalism

*Denis Melnik*<sup>\*\*</sup>

First World War is regarded as a watershed in modern history. The task of this paper is to trace its impact on economics, and specifically on the liberal tradition that influenced the development of economics since the epoch of Adam Smith.

The atrocities and devastating effects of the war profoundly shook the established beliefs in progress and human reason. However, did they have any lasting effect on economic theorizing? For a long time economists did pay attention to the military problems but they were treated mainly in the chapters on taxation and state finance. The economic activity of ‘civilized’ human beings was considered as essentially peaceful, while according to ‘free-trade’ assumptions the expansion of mutually beneficial international trade would prevent wars. Even those economists who largely opposed the economic liberalism closely associated with classical tradition tend to skip the economic analysis of war. In 1914 Werner Sombart lamented on behalf of the German economists: “We had nothing to give that could have been of direct service to the great cause” (cf. Spiegel 1940, 713). It was not that the coming war had gone unnoticed. As early as in 1910 an Austrian Otto Neurath hoped “that in the not too distant future war economy as a whole will become the subject of proper systematic study” (Neurath 2004, 153). However, comparing the involvement of economists into the government service in the U.K. during two great wars A. Cairncross (1995, 21) noted that “the input of advice by economists in the First World War was much smaller than in the Second”. The degree of economists’ impact on the conduct of war differed among the belligerent powers, but in general it was not high — largely due to the fact that “academic economists were a rather rare breed” (Cairncross 1995, 21). But it was precisely the discrepancy between the scarcity of economists and techniques they possessed and the needs of war economy that contributed to the post-war process of making the economic profession.

As the first truly global modern conflict, WWI faced different nations with common challenges. As the conflict that had required the mobilization of resources in unprecedented scale, it required the means that were not altogether dissimilar for all belligerent nations. The lines of the war impact on economics could be grouped as follows:

- 1) the state-led mobilization of resources and war economy governance (especially in the Central Powers that faced resource constraints in most acute forms) reinforced the critique of ‘free capitalism’ and nurtured the debates on non-market forms of economic organization, planning and socialism;

- 2) the widespread suspension of gold standard, inflation and the post-war monetary problems had a considerable impact on monetary theory;

- 3) the elaboration of ‘proto-Keynesian’ (see, e.g., Klausinger 1999) techniques and approaches in response to the new challenges.

These lines of enquiry paved the way for the “years of high theory” which marked the beginning of the golden age of economics.

The new role of state, the perceived political influence of business enterprises, the undermined belief in human rationality contributed to the attempts to redefine the balance between economic effectiveness, welfare and individual freedom. This process eventually led to re-definition rather than the fall of economic liberalism.

### References

Cairncross, A. (1995) ‘Economists in Wartime,’ *Contemporary European History*, Vol. 4, No. 1 (Mar.), pp. 19-36.  
Klausinger, H. (1999) ‘German Anticipations of the Keynesian Revolution?: The Case of Lautebach, Neisser and Ropke,’ *The European Journal of the History of Economic Thought*, 6:3, Autumn, pp. 378-403.  
Neurath, O. (2004) *War Economy*, In: Neurath, O. *Economic Writings: Selections 1904–1945*. Ed. by Th. Uebel and R. Cohen. Kluwer Academic Publishers, 2004, pp. 153-199.

Spiegel, H.W. (1940) ‘Wehrwirtschaft: Economics of the Military State,’ *The American Economic Review*, Vol. 30, No. 4. (Dec.), pp. 713-723.

---

\* Higher School of Economics, dmelnik@hse.ru.

## A comment on Quesnay's Tableau

*Matteo Menegatti*<sup>\*\*</sup>

In two recent articles by Steenge (2000) and by Steenge and van den Berg (2007) a transcription of Quesnay's Tableau Economique (Meek 1963, Kuczynski and Meek 1972, Quesnay 1973) into a Sraffa-Leontief model is provided along the path set by Phillips (1955) and Barna (1975, 1976). The stated goals of these contributions are to model rents within an input output model for the former (2000) and for the latter (2007) to study the effects of disequilibrium on growth patterns in such a Quesnaysian type of input output model. In this paper textual evidence from Quesnay's writings is provided along with a mathematical formulation (in its static and dynamic version) elaborating on the contributions above. The aim is to evidence the richness and variety of suggestions which Quesnay's writings provide along with important, but so far neglected aspects of the physiocratic notion of bon prix and of profit.

---

\*      Wirtschaftsuniversität Wien, M.menegatti@outlook.com.

## Was Nicholas Georgescu-Roegen a degrowth theorist?

*Antoine Missemer*<sup>\*\*</sup>

As an original economist of the 20th century, Nicholas Georgescu-Roegen left his footprint in different fields of knowledge, from philosophy of sciences to economics. Built upon the book *The Entropy Law and the Economic Process* (1971), his bioeconomic paradigm aroused contrasting interests among scholars, but it undeniably gave birth to different schools of thought that claimed to be representative of the roegenian legacy. One of these movements stands between academic and political realms, around the idea of degrowth. This paper aims at measuring the accuracy of degrowth as a roegenian legacy. It concludes that if Georgescu-Roegen may be a source of inspiration for degrowth defenders, it is only in a very narrow sense. A cautious reading of his bioeconomic programme shows that Georgescu-Roegen's stance was different from the growth/degrowth debate, opposing the frequently held view in the French language literature.

---

\* University of Lausanne & University of Lyon 2, antoine.missemer@unil.ch.

## **Increasing Time Preference and Optimal Capital Deepening: A Rational Reconstruction of F.A. Hayek's Capital Theory**

*Arash Molavi Vassei\*\**

This paper rationally reconstructs F.A. Hayek's informal exposition of the capital deepening process by means of recursive utility and dynamic programming. The scope of analysis is restricted to Hayek's largely unrecognized contribution in *Utility Analysis and Interest (UAI)*, published by *The Economic Journal* in 1936, being restated as chapters seventeen and eighteen in *The Pure Theory of Capital (PTC)*, first published in 1941. The mathematical structure implied by Hayek's verbal exposition in *UAI* and *PTC* is 'carved out' to make precise and evaluate his contribution to economic analysis. The major result is that Hayek's capital theory contains a generalization of the Ramsey-Cass-Koopmans model. In concrete, Hayek provides the solution to an infinite-horizon deterministic social planner optimization problem in a one-sector economy such that the rate of pure time preference encapsulated in the discount factor increases in prospective utility. Hayek's vision of dynamic social efficiency is completely characterized. Steady-state and turnpike properties are derived and discussed for two alternative technological settings.

---

\* University of Hohenheim, arash.molavi.vassei@gmail.com.

## About Pareto's Manual and the critical and variorum edition

*Aldo Montesano*<sup>\*\*</sup>

Pareto's main analytical contributions in the Manual of Political Economy, both those accepted by mainstream theory and the ones that are lesser known, are presented here. The former refer to the ordinalist approach to the analysis of consumer choice and the notion of economic efficiency expressed by the conditions of Pareto optimality; the latter, in particular, refer to market equilibrium analysis with different types of monopoly. A brief survey is dedicated to Pareto's general vision of the study of economics. The reasons that led to the publication of a critical and variorum, English-language edition of Pareto's Manual are then illustrated, and its main features indicated.

---

\* Bocconi University, [aldo.montesano@unibocconi.it](mailto:aldo.montesano@unibocconi.it).

## The history of Pareto optimality in Pareto

*Fiorenzo Mornati*<sup>\*\*</sup>

This paper aims at reconstructing, in non-formal terms, the development, in Vilfredo Pareto's work, of what was to become known as Pareto optimum. After a few references to the context where Pareto had begun to perform his investigations on welfare economics, we shall expose the early versions of the definition of maximum ophelimity for the community. Having recalled the first significant academic reactions (namely those of Walras and Wicksell) to this Pareto's innovative concept, we shall further elaborate on the final version. We shall close the paper with a few hints on the sociological adaptation that Pareto made on the future Paretian optimum.

---

\* Università di Torino, [fiorenzo.mornati@unito.it](mailto:fiorenzo.mornati@unito.it).



## Freedom and education: a skeptical review of neoliberal thought

*Vitor Neves* \*\*

The concept of freedom is central to neoliberal thinking. In close association with the ideas of competition and working of free markets it has also been pivotal in the way leading neoliberal scholars, such as Friedrich von Hayek and Milton Friedman, approach the issue of education provision and funding. Freedom, school choice, education vouchers – subsidies given directly to parents for tuition at any school in order to assure them unconstrained choice of the school, private or public, they prefer for their children – and related programs such as ‘education savings accounts’ are central features of the neoliberal thought on education. These ideas are well expressed in the activity of the Friedman Foundation for Educational Choice, established in 1996 “to promote universal school choice as the most effective and equitable way to improve the quality of K-12 education in America.” (<http://www.edchoice.org/About-Us/Mission---History>)

This paper is intended to trace the origins and development of the neoliberal thought on education and, in particular, to provide a critical, skeptical review of Friedman’s and Hayek’s ideas on ‘freedom of choice’. A special attention will be devoted to Friedman’s works “The Role of Government in Education” (in *Economics and the Public Interest*, 1955), *Capitalism and Freedom* (1962) and *Free to Choose* (with Rose Friedman, 1980), and to Hayek’s *The Constitution of Liberty* (1960).

---

\* University of Coimbra, [vneves@fe.uc.pt](mailto:vneves@fe.uc.pt).

## **Liberalism and democracy ? a Comparative Reading of Eucken and Hayek**

*Daniel Nientiedt\*\**

The paper compares Friedrich Hayek's classic analysis of "unlimited democracy" to arguments put forward by Walter Eucken, the founder of German ordoliberalism. It is shown that Eucken's criticism of democracy is directly related to his liberal conviction: Similar to Hayek, Eucken anticipates the possibility of interest groups to engage in rent seeking through the democratic process. In view of Hayek's distinction between the basic ideal of democracy and its institutional realization, it is argued that Eucken's criticism relates to the latter aspect. Furthermore, the paper maintains that a comprehensive liberalism as represented by Eucken and Hayek implies a constitutional concept of democracy.

---

\* Walter Eucken Institut, [nientiedt@eucken.de](mailto:nientiedt@eucken.de).

## Liberty and Inequality in Smith and Condorcet

*Shinji Nohara* \*\*

Smith, at the outset of his *Wealth of Nations*, claimed that, in civilized society, its inequality was linked with its prosperity in contrast with the poverty of equal savage nations. Why did he feel the necessity of rebuking the latter?

Certainly, about this theme, Rousseau crossed Smith's mind. However, if he had reacted only against Rousseau, the defense of inequality would not have been so emphatic. For Smith denied the existence of the state of nature, which was the foundation of Rousseau's social view. The equal primitive society was argued not only by Rousseau, but also by the authors of travel books on the Amerindians, which praised their equality. For the travellers of North America, the equality of the primitive society was inescapably related with its liberty as almost anarchy. Its equality was the outcome of the shortage of property, and resulted in the situation in which almost no dividing and strife of society could occur. For Smith and other contemporaries, the equal free society of North America was in existence.

When Smith depicted the equal primitive society, he affirmed its existence. Also, he admitted the relationship between equality and liberty. For Smith, equality in the primitive society was connected with its liberty, which theme tacitly implied that inequality in the civilized society was linked with the decline of liberty. Certainly Smith advocated the system of natural liberty. However, what Smith thought was that it should be realized, and that it was against the contemporary decline of natural liberty in reality. At the bottom, Smith affirmed the linkage of equality with liberty.

After the French Revolution, which admitted the legal equality of people, Condorcet thought that the assurance of legal equality needed the economic equality. Here, the jurisprudential liberalism was combined with the economic one.

---

\* University of Tokyo, novaraheidenroslein@gmail.com.

## The influence of J.-B. Say on Jules Dupuit's Monetary Views

*Guy Numa*<sup>\*\*</sup>

Despite a growing interest in Dupuit's thought, the influence of Say on Dupuit's work has been underanalyzed. The present article fills this gap in the literature by exploring the extent to which Dupuit espoused Say's views on money and credit. I argue that overall Dupuit shared many of Say's positions though their analysis differed in the details. Dupuit adopted a more restricted definition of money and presented a rigid formulation of the quantity theory. The most notable difference concerned the causes of economic crises. Say emphasized the role played by banking and monetary factors whereas Dupuit pointed out that real factors were the only culprits.

---

\* Institute for New Economic Thinking, [guynuma1@gmail.com](mailto:guynuma1@gmail.com).

## How Lenin distorted Marx's views to achieve their own purposes

*Rustem Nureev* \*\*

The article is devoted to studying the works of Karl Marx in Imperial Russia. Examines the background and reasons for rejection of the teachings of Marx Western academic economic science on the one hand, and the rapid spread of Marxism in the pre-soviet Russia. Cameralist shows the role of German historical school and in the development of Russian economic science (H. von Schletzer, H. von Storch, H. von Kankrin, I. Babst, A. Chuprov, etc.), the effect of K. Marx's views on the evolution of the Populists (N. Danielson, V. Vorontsov, etc.) and the legal Marxists (P. Struve, M. Tugan-Baranovsky, S. Bulgakov). Particular attention is paid to analysis of the Lenin's works and its role as a popularizer and vulgarizer of Marx investigates the factors that contributed to Russification and orientalizing of Marxism.

The spread of Marxism in the Russian Empire "breadth" occurred to a much greater extent than is allowed domestic economic, social and cultural conditions. But the same Russian reality has become obstacle to the spread of Marxism in Russia, "depth", for its development in an integrated and adequate primary source form. In the XX century, Russia came in, having been relatively long, but not deep tradition of Marxism. Indeed real, consistent Marxists who have mastered Marxism not as a set of dogmas, and creatively developing Marxism as a doctrine to adequately understand its methodology and theory, were calculated in the Russian units. Prevailed in Russia is completely inadequate primary source, perverted forms of Marxism. This did not prevent, however, the Russian Bolsheviks in 1917 to move from theory to practice, to the actual implementation of kvazi Marx ideas on 1/6 of the globe. This was the result of Marxism Russification.

The Bolsheviks for this creatively "developed" of Marx, who actually created a real myth about the proletariat and its historical role in the liberation of mankind. It is this myth and further enhanced on Russian soil in the writings of the Bolsheviks, especially Lenin. The doctrine of Lenin creates new type of party, which is a connection to the traditions of Russian Marxist revolutionary voluntarism is replacing its book-armchair interpretation. In fact substantiates the proletarian revolution in a peasant country, where the messianic role of the proletariat performs well organized bunch of revolutionaries serving "in its name and on its behalf."

---

\* Financial University under Russian Government, nureev50@gmail.com.

## Vilfredo Pareto on Labour

*Motohiro Okada* \*\*

This article examines comprehensively Vilfredo Pareto's thought on labour. Despite the scantiness of studies on them, Pareto's arguments on labour issues occupied an important position in the whole of his thinking. In his pure economics theory, Pareto, absorbing Léon Walras's ideas, subsumed labour exchange under the general equilibrium system by identifying the nature of the former with that of the exchange of non-human objects. The resulting rationalisation for the market determination of labour exchange ruled his whole views on labour issues. In the applied economics part of the *Cours d'économie politique*, Pareto argued that worker coalition and strikes were effective means to enable workers to be on an equal footing with employers and thus promote competitive labour markets. This accorded with Pareto's criticism of the situation in the 1890s Italy in which strikes were a target of harsh crackdown. Facing the subsequent rise of labour movements, Pareto's attitude underwent a sudden change after the turn of the century. He was hostile to the matter as a product of 'demagogic plutocracy' profiting the 'speculators' at the sacrifice of the 'rentiers'. Notwithstanding this disillusioning experience, Pareto did not attempt to revise his theoretical notion of labour exchange. This attracted him to Fascism as a 'defender of the market economy order' in his last days. Thus, despite Pareto's many-sided sociological enquiries into labour issues, his last recourse for their solution was throughout the principle of labour exchange formulated in his pure economics theory. As a result, Pareto failed to adequately integrate his investigations on economic phenomena with those on other social phenomena. The principle was founded on the dehumanisation of labour exchange in disregard for worker subjectivity towards labour performance, which was not specific to Pareto's theory but was widely shared by most neoclassical economists. Pareto's case exhibited vividly how profoundly this bias was infiltrated into neoclassical economists and how fundamental it was to the establishment of their school's paradigm.

---

\* Faculty of Economics, Konan University, okadam@konan-u.ac.jp.

## Henry Thornton on the Independence of the Central Bank

*Toshiaki Otomo*<sup>\*\*</sup>

Thornton permitted the 1797 suspension of cash payments to be a correct policy and rather defended the unconvertible system, which he did not regard as a discontinuity with the convertible system. Under the convertible system, if the Bank restricts the amount of notes issued in proportion to reductions in the gold reserves, deflation could result. To avoid such an event, even under the convertible system, the value of money needs to be maintained not by gold reserves but by the central bank's discretionary monetary policy. As a presupposition to implement it, he then used this view to raise the issue of the central bank's independence. This ability relies on the government's behavior. The central bank is independent of the government, but both work together with regards to national finance. Therefore, the government presents to the public a commitment to maintain the value of money and in turn, the public's trust in the government's promise is grounds for the Bank's independence of the government.

The question then becomes the grounds of the public's trust in the government's commitment to maintain the value of money. Thornton, consequently, pointed out four grounds by which Bank independence can maintain the value of money. First, the central bank must conduct itself in accordance with the logic of lenders, by which the Bank's loans to the government reflects the relationship between lenders and borrowers. Second, he considered the government's ability to steadily execute the funding system and repay its debts. This involves maintaining the credit of national debts and securing the Bank's assets held. Third, maintaining trust requires disclosing the number of notes to the parliament. This means that the parliament checks the government's finances and the central bank's financial activities. Disclosure of number of notes also serves to let the public gauge the government's financial behavior, thus acting as a possible restraint on government spending. Finally, the central bank's proprietors as well as directors make every effort to maintain public as well as commercial credit. The central bank regulates its loans within its accustomed limits, working together with the government. Thus, Thornton raised the problem that the central bank's independence meant not being independent of national finances, but concerned how the central bank can be independent of the government, but still working together with regard to the national finance. The Bank's independence, in a sense, rests upon the public's trust in the government's commitment to maintain the value of money. The government's use of funding system for redeeming the national debts serves as institutional guarantee that lets the government elicit the public's trust, together with the Bank's disclosure of the number of notes to parliament. On such a systematic basis, the Bank implements the discretionary monetary policy. Thornton indicated how the Bank, the government, and parliament should act to uphold the commitment to maintain the value of money. So long as the public trusts the government's financial behavior, the Bank can be considered independent of the government.

---

\* Rikkyo University, ohtomo@rikkyo.ac.jp.

## J. S. Mill on Military Expenditure

*Yoshifumi Ozawa*<sup>\*\*</sup>

The purpose of this paper is to supplement previous studies of John Stuart Mill's (1806–73) theory of public finance, by examining his views on Britain's military expenditure in the nineteenth century. Although a considerable number of studies have been conducted on Mill's views on public revenue, his views on public expenditure (especially with regard to expenditure amounts) have seldom been investigated. The main reason for this difference is that with regard to public expenditure, previous studies refer only to Mill's *Principles of Political Economy*. Therefore, this paper investigates his other major works, articles, correspondences and speeches, as well as the *Principles*. This paper also draws attention to the historical fact, observed by Shohken Mawatari and Takuo Dome, that British military expenditure accounted for a large percentage of public expenditure in the nineteenth century. Consequently I arrive at the conclusion that, at least in the last decade of his life, Mill essentially did not propose the disarmament of Britain and a consequent reduction in its military expenditure (namely, a mere reduction in it), but instead endeavoured to at least maintain its real armaments and, at the same time, to greatly reduce this expenditure. It was most important for Mill, in his later years, not to diminish the powers of the British army and navy with regard to the preventing or carrying out of wars, and he tried to find means for a reduction in military expenditure that could at least maintain these powers.

The second section addresses Mill's basic ideas about armed forces and military expenditure, and argues that he thought armed forces necessary and treated military expenditure as a part of central government expenditure. The third section investigates Mill's grasp of the existing situations of the public finance of the British central government, and postulates that he realised an enormous amount of, correlating to a rapid increase in, British military expenditure, even in times of peace in the third quarter of the nineteenth century, and after 1852 at the latest, remarked that this expenditure afforded scope for reduction. Finally, the fourth section examines mainly what Mill proposed as the means for a reduction in British military expenditure: (1) the extension of suffrage, (2) the resumption of "the right of seizing enemies' goods in neutral vessels", and (3) the abolition of a large part of the permanent army of Britain through compulsory training of "the whole of the able bodied male population to military service".

---

\* Tohoku University (Post-graduate), yoshifumi.ozawa@gmail.com.



## Political Liberalism(s) From Adam Smith to John Rawls; An Inquiry on the Ideas of "Impartial Spectator" and "Public Reason"

*Emre Özel\*\**

A Theory of Justice has played the leading role in John Rawls's discourse while his theory of political liberalism occupies a particular place in his theory. Within the idea of political liberalism, Rawls tries to elaborate the basic conditions of an available pluralistic society by re-examining Kantian idea of public use of reason in a political context. Rooting back to Kantian idea of public use of reason, Rawls tries to focus on the conditions of reasonable social cooperation; well ordered society among free and equal citizens. In other words, reasonable moral or political inequality<sup>1</sup> among citizens depends on an initial convention/constitution which is ruled by public reason.

What Rawls seeks is conditions of a well-ordered society consisted by all reasonable citizens. Public reason requires citizens those can reasonably be a part of social cooperation by having ability to make decisions using values and standards in public level which others could not reasonably reject<sup>2</sup>. Herein, what unreasonable is to impose comprehensive doctrines on others in public level. The idea of public reason represents a particular type of reasoning on public issues apart from non-public ways of reasoning like in religious doctrines or philosophical values; these values and standards are not public and "Citizens engaged in certain political activities have a duty of civility to be able to justify their decisions on fundamental political issues by reference only to public values and public standards" In political liberalism, all citizens reasonably accept the principles that govern the basic institutions of a just society.

In the other hand, Adam Smith's impartial spectator in The Theory of Moral Sentiments is a metaphor which represents the ultimate maxim that guides our actions. As in public reason, the impartial spectator smoothenes the economic (private) relations among individuals; and sustains well being of people in public level. It leads man "to sacrifice (his) own interests to the greater interests of others" which is stronger than the basic self-love "that is thus capable of counteracting the strongest impulses of self-love.". Finally "It is reason, principle, conscience, the inhabitant of the breast, the man within, the great judge and arbiter of our conduct.". Consequently, the man within breast, as in the public reason, regulates the basic instincts of bourgeois in order to maintain a reasonable cooperation among people.

In this context, it seems to me that the Rawls's idea of public reason (in the context of political liberalism) embodies Adam Smith's metaphor of impartial spectator. In this manner, the aim of this paper is to examine the idea of "public reason" in the context of political liberalism by focusing particularly the relation with Smithian idea of "impartial spectator" (or implicitly the Smithian theory of justice).

---

\* University of Strasbourg, emreozel84@gmail.com.

## History of Ottoman and Turkish Economic Thought: Comparisons with Whom and Why?

*Eyüp Özveren* \*\*

The problem of mapping Ottoman and Turkish economic thought vis-à-vis historical and regional contexts has not yet been taken up seriously. As a bridge between three continents, as well as being placed at the crossroads of different civilizations, the Ottoman Empire and its heir Turkey has been the hotbed of hybridity. Hence any choice in favor of a context, be that spatial or temporal, has to do with whether one wants to pursue a comparison in order to identify the similarities and continuities, or to accentuate the differences and discontinuities as a contrast might imply. There exist three plausible choices for the choice of a comparative unit. This paper will address each and spell out its pluses and minuses.

The first is the most common and convenient one and the most readily assumed. As summarized above, conventional histories of Ottoman and Turkish economic thought start off from the fact that the Ottoman Empire was first and foremost an empire built around Istanbul with roots in the Eastern Roman Empire. This implies that ‘Turkey in Europe’ was of major significance. Moreover, Turkey inherits this legacy as observed in its aspirations to be conceived and treated as part of Europe. This manifests itself in a standard national narrative of economic thought that takes as its geographical reference South Eastern Europe of which Turkey is a natural extension. This is an all the more attractive point of departure when one wants to proceed along the safe waters of tracing channels of dissemination of modern European economic approaches and ideas as one of a gradual evolution.

The second choice foregrounds the religious Islam-effect that was relatively stronger during the pre-nineteenth century Ottoman Empire but especially during the late medieval era. In any case, the institutional forms through which Islamic principles were applied are actually far more common to the early modern Mediterranean context of which the Ottoman Empire was a major player. For this era, it is impossible to separate the economic from the political, and Ibn Khaldun, Machiavelli, Serra, Vico and Galiani had their Ottoman counterparts. Therefore, this kind of a comparison is indeed timely and far more promising than tracing merely Islamic connections.

There exists one last alternative; that is to take as a unit of analysis, the Turkish linguistic zone, an important part of which has been occupied by the Ottoman Empire and Turkey. Let us first look at the model case, the German linguistic zone encompassing what were the Habsburg Empire and German principalities. Politically divided, this zone had a lot in common culturally. If economic thought developed with a strong Historical School accent in Germany while the Austrians launched their own version of the marginal revolution, there was significant interaction, in fact a Methodenstreit across the border. Without one, the other would not have been the same. This is the linguistic-zone effect. We observe that the Turkic linguistic zone deviates from it significantly. What defines the loose unity of the Turkic linguistic zone are, a family of related languages, and the interaction of mobile and ethnically related populations. As far as economic thought is concerned, the dissemination and interaction of economic ideas across this geography remained rather limited, and whenever it occurred, far from being direct, it was in fact mediated through a zone of greater influence, namely the late nineteenth-century Russian Empire itself coming under German scholarly influence. Even so, approaching the issue from this viewpoint casts a different light on the case under study that sharpens certain features that would otherwise have been easily overlooked. It helps understand the legacy of heterodox ideas that were bequeathed from the Ottoman Empire.

---

\* Middle East Technical University, ozveren@metu.edu.tr.

## **Post-war commodity price stabilisation: theoretical underpinnings, operational implications and policy debate**

*Paolo Paesani*<sup>\*\*</sup>

Between the 1940s and the 1950s, individual economists (e.g. N. Kaldor, R. Kahn, J. Galbraith, M. Ezekiel) and international organisations (e.g. the FAO, UN Economic and Social Council) promoted international agreements to stabilise commodity prices. Several plans were put forth in this context, ranging from the introduction of an international commodity-backed reserve currency to less ambitious schemes including buffer stocks and multilateral guaranteed purchase schemes. This paper explores the theoretical and operational underpinnings of these plans, focusing on early post-war proposals. In particular, the paper focuses on the modelling of expectations and on how international commodity agreements were designed to deal with speculation and with possible conflicts between producers and consumers. In pursuing this goal, the present paper extends Paesani and Rosselli (2014). The main conclusions emerging from the present study can be summarised as follows. Early post-war studies of international commodity agreements were based on standard competitive partial equilibrium models and on the assumption of static expectations leading to the emergence of cobweb effects. Many schemes were based on the adoption of pricing formulas designed to tame speculation and to overcome possible conflicts between producers and consumers. Research on the impact of international commodity agreements on producers and consumers obtained mixed results.

---

\* University of Rome Tor Vergata, [paolo.paesani@uniroma2.it](mailto:paolo.paesani@uniroma2.it).

## Political Economy and Economic Culture in Russia in the First decades of the 19th Century: The reception of Sismondi's Economic Thought

*Letizia Pagliai\*\**

In the first decade of the Nineteenth Century the struggle that the most advanced European élites instigated against French Protectionism, which appeared in its most extreme forms with the enforcement of the customs system and the Continental System, was carried out through works whose common critical goal, introduced the theme of the conflict with the free trade. Sismondi highlighted the fact that this incoherent way of debating damaged political economy, a science which claimed to teach the 'government how to preserve and increase the wealth of nations'.

Without involvements that could be traced back to simple conflicts of economic interests, Sismondi wrote a work on the history of the economic thought (*Deux systèmes d'économie politique*, 1806) which was already filled with an awareness of the political and social issues linked with it. When *Deux systèmes* was written, the Republic of Calvin had been annexed to France for seven years and Sismondi was employed at Geneva's Chamber of Commerce, which was an economic institution that provided trade information to the French government. It is very important to underline that Sismondi's economic writing was addressed to Alexander I at the time of dilemmas of the Growth of Imperial Russia. We shall then note the institutional functions as "advisor of the Prince" which Sismondi wanted to perform by the Czar.

In this paper I intend to explore the role played by Sismondi and, to a lesser extent, Henri Storch, in shaping Russian scientific thought before Napoleon's fall, when French economic politics were enemy of Russia in the political European scenario. It is noteworthy the role that Storch carved out for himself at the Court of the Tzar; as counsellor and Imperial teacher, Storch (see *Cours d'économie politique*) made Sismondi (*De la Richesse commerciale*) an unconditional reference of moral authority for early Russia dedicated to liberal thought (and invited him to become a member of the Académie impériale des Sciences of St Petersburg).

---

\* University of Pisa - Italy, [letizia.pagliai@for.unipi.it](mailto:letizia.pagliai@for.unipi.it).

## How were cultural goods integrated into economic analysis? A glance from the history of economic thought

*Luis Palma Martos and Luis Fernando Aguado\*\**

Based on a careful review and tracking of seminal works in the history of economic thought, the paper offers a coherent and comprehensive synthesis of the process of integrating cultural goods into economic analysis. In fact, in the history of economic thought it is anecdotal that activities used by Robbins [1944] – an opera, a concert, a ballet – to broaden the concept of economic goods to services, should be the same as those used by Baumol and Bowen [1966] in their book to illustrate the need for state intervention in promoting performing arts, a book recognized as seminal in a recent specialization area of the economy: cultural economics . The anecdote proves interesting for three reasons: [i.] the restricted view of economic goods held by renowned economists [Smith ; Ricardo; Marshall], [ii.] the nature and characteristics of the ‘product’ offered by arts and culture as goods themselves, and [iii.] redefining the concept of leisure as time off work where activities with no market substitutes are indulged in. The founders of economic science, Smith [1776] and Ricardo [1817] perceived wealth to be the material means of subsistence. The characteristics and nature of cultural goods – non – reproducible goods , services consumed at the same time they are produced, the importance of aesthetic value – did not therefore fit in with the analytical framework developed by these authors, and hence only find their place in the field of unproductive activities, as well as their expense. Later, with Walras and Jevons and the British aesthetes – Ruskin and Carlyle – together with the contribution of Robbins, the door of economic theory opened to the analysis of cultural activities. Nonetheless, neoclassical economists treated cultural goods as an exception [ Marshall [1890]] to the principle of decreasing marginal utility. Becker’s work [1965] integrates the time factor in household decisions and breaks the labour – leisure dichotomy inherited from Marshall [1890]. This aspect is key to gaining deeper insights into activities that were understood to be outside the scope of economic science since they are undertaken outside work – time and are engaged in directly by households for their satisfaction. Thus, the ‘product’ derived from consuming cultural goods was clarified and may be modelled as a rational addition product resulting from experience and past consumption – investment.

---

\* University of Seville, lpalma@us.es; and Pontificia Universidad Javeriana, Seccional Cali, Colombia, lfaguado@javerianacali.edu.co.

## Juglar (1853) and Algeria: A Liberal Thought Against Colonialism

*Antoine Parent*<sup>\*\*</sup>

The objective of this article is to recall the forgotten views of Juglar (1853) against the colonization of Algeria, the originality of his approach and, notably, his contribution to the genesis of the analysis of colonial institutions. Juglar (1853) appears not a theoretician of colonialism but a liberal economist who denies the validity of colonization in light of economic arguments. We provide evidence that conventional wisdom on French colonialism is indebted towards Juglar (1853): the assessment of French colonialism as mercantilism and protectionism, the issue of investments' profitability in colonies, the role of colonial institutions in economic development are already present in Juglar's liberal economic thought. In many aspects, this author who places the issue of property rights and colonial institutions at the center of his explanation of the predictable failure of colonialism, appears as a forerunner of the modern economic analysis of colonialism.

---

\* Sciences Po Lyon, [antoine.parent@sciencespo-lyon.fr](mailto:antoine.parent@sciencespo-lyon.fr).

## David Hawkins and the Hawkins-Simon conditions

*Wilfried Parys* \*\*

The 1950 List of Members of the Econometric Society contained numerous economists, statisticians and mathematicians. A remarkable outlier in the list was “Hawkins, Dr. David, Professor of Philosophy, University of Colorado, Boulder”.

David Hawkins (1913-2002) spent most of his long career on philosophy and childhood science education, but he also published on the history of the first atomic bomb, mathematics, physics, probability, and political and social sciences, including economics. Hawkins made two often cited contributions to economics: his dynamic input-output model in *Econometrica* 1948, and the famous Hawkins-Simon conditions in *Econometrica* 1949. In other years he concentrated on other disciplines. Perhaps because he spent only a short time “among the Econ”, his story received less attention from historians of economics than the work of many other pioneers of Leontief-Sraffa models.

By using archival material, mainly from the David Hawkins Papers in Boulder and the Herbert Simon Collection in Pittsburgh, it is possible to get more insight into the background of Hawkins’ economics, and to investigate the following questions. How did a solo effort by a philosopher of science, without any formal degree in mathematics or economics, lead to a pioneering *Econometrica* publication on dynamic input output, thereby anticipating Leontief’s work on the same topic? How did a series of letters between David Hawkins and Herbert Simon produce their often cited *Econometrica* note in 1949? Did Hawkins make any other contributions to economics after he had moved to other fields in the 1950s ?

For the latter question, I refer to Hawkins’ wide-ranging 1964 book *The Language of Nature. An Essay in the Philosophy of Science*. The book received interesting reviews in philosophy and physics journals, but hardly any attention from economists, although it contained a few interesting pages on the computation of what is now often called the “commodity content” of commodities. Hawkins himself pointed to the examples of Marx’s labour values (direct and indirect labour content) and the Technocrats’ energy values (direct and indirect energy content). With hindsight it is possible to see a logical connection between these 1964 remarks on value theory and the 1949 Hawkins-Simon conditions.

Hawkins’ correspondence with Leontief in the 1990s revealed how Hawkins’ 1948 *Econometrica* article had scooped Leontief, and how Hawkins was influenced by his reading of Quesnay and Marx. In various letters at the end of his career, Hawkins suggested that the Hawkins-Simon conditions were already implicit in Frobenius’ work a few decades earlier. In point of fact, the story of the precursors of the Hawkins-Simon conditions is rather bizarre, and involves not only Frobenius, but also the French Jesuit mathematician Potron.

---

\* University of Antwerp, wilfried.parys@uantwerpen.be.

## How will we know what is ‘good’? Richard Whately's challenge to the Christian Utilitarianism of William Paley

*Elena Pasquini Douglas\*\**

John Maynard Keynes described William Paley's *Principles of Moral and Political Philosophy*, first published in 1785, as “an immortal book”. Paley's text was the means by which the elite learnt their utilitarianism. It shaped the English mind of the nineteenth century. Richard Whately, Fellow of Oriel College Oxford 1811-1831 and Archbishop of Dublin and House of Lords, 1832-1863, logician, moral philosopher, political economist and instigator of political economy being formalised as an academic discipline at Oxford, produced an annotated edition of the text Paley's *Moral Philosophy: With Annotations* (Whately 1859). An admirer of Paley, Whately was in no doubt of Paley's influence and intent on correcting the errors of Christian utilitarianism.

Although the era's most powerful advocate of political economy as a valuable instrument for implementing public policy, Whately judged Paley and the utilitarians wrong to suppose “that the hedonistic calculus can be a reliable source of (or substitute for) those values. Only a moral sense preferably illuminated by Holy Scripture can determine those ends to which political economy is the only means” (Waterman 1991, p210).

The crux of Whately's argument: “man according to him [Paley], has no moral faculty, - no power of distinguishing right from wrong, - no preference of justice to injustice, or kindness to cruelty, excepts when one's own personal interest happens to be concerned. ....The truth, I conceive, is actually the reverse of this, viz., that Man having in himself a Moral-faculty...by which he is instinctively led to approve virtue and disapprove of vice. (Whately 1859, p. 77).

Absent an innate ‘moral sense’ men and women are impotent to discern good from evil in their own lives, let alone comparisons with others, or between societies. Thus the utilitarian system is unable to comment on “what ought to occur”; the critical issue for public policy.

Whately's tract is an essential text in the Noetic Political Economy, developed by a group of Oriel men, Edward Copleston, J.H. Newman and Nassau Senior. Their system starts with the existence of a moral sense and Aristotelian virtue-ethics, embraces Smithian conceptions (division of labour, man's instinct to trade and the benefit to the common people of commercial society) and marries these with Christian Moral Philosophy. It is a unique synthesis which rests upon a rationalist reading of the bible to discern a broad ‘meaning’ and purpose in human life focused on ‘the good’. The challenge to Paley was how do we assess ‘the good’: just as the “believer in God is at a loss to account for the existence of evil, the believer in no God, is equally unable to account for the existence of good: or indeed anything at all that bears the marks of design.”

This paper will argue that Paley was the Christian orthodox vessel on which the philosophical radicals, the Benthamite utilitarians, entered mainstream waters. For the utilitarians, the scientific analysis of reform involved only an analysis of the consequences and these could be judged scientifically. Moral considerations were thus eliminated.

Whately believed he had dealt a decisive blow against the Philosophical Radicals and their utilitarian programme. Intellectually the claim has foundation. But science doesn't occur in a vacuum, it is subject to the themes and currents of the culture in which it is set and anything with Christian overtones or underpinnings was to be swept aside in the cultural convulsions which commenced by the publication of Charles Darwin's publication of the *Origin of the Species* (Darwin, 1859) published in the same year as Whately's edition of Paley's work.

---

\* University of Western Australia, elena.douglas@uwa.edu.au.



## On the Development of Economics in Eastern Europe: the Case of Bulgaria

*Pencho Penchev and Nikolay Nenovsky\*\**

The study presents and analyses the major features of the Bulgarian economic thought at its inception in the 1850s through to Bulgaria's Liberation from Ottoman rule in 1878. The authors examine the main intellectual figures and the publication endeavours of specialised economic periodicals in the same period and discuss their specific features highlighting the fact that articles on theoretical issues make their way through slowly and with difficulties even when popularisation is their aim. The authors' main thesis is that the Bulgarian economic thought, at the point of its formation, was characterized by three basic features: liberalism, nationalism and ethical approach to economic problems. We should note two other basic features of economic thinking from that period in Eastern Europe and the Ottoman Empire which also had a Bulgarian dimension, i.e. the vivid and explicit presence of eclecticism in both the theoretical and the methodological aspect and the primary role of the French economists and the French economic thought. The last part of the paper makes an attempt to sum up and put the early Bulgarian economic thought and specialised economic periodicals into comparative Balkan and European perspective. This allows an adequate analysis and adds to the knowledge about the spread and influence of economic ideas.

---

\* University of National and World Economy, pencho\_penchev@gyuvetch.bg; University of Picardie Jules Verne, Amiens, nenovsky@gmail.com.

## Clower's volte-face regarding the "Keynesian Revolution"

*Plassard Romain* \*\*

Robert Clower's influence on the course of macroeconomics is largely attributable to one paper: "The Keynesian Counter-Revolution: A Theoretical Appraisal" [1965], in which he formulated the "dual decision hypothesis". Criticizing the neoclassical synthesis (J.R Hicks [1939], O. Lange [1942] and D. Patinkin [1956]), he maintained that an absolute precondition to rebuild Keynesian economics was to reject walrasian microeconomics. My paper aims at explaining the genesis of this insurrection. To this end, I will make an extensive use of archival material found at Duke University, notably Clower's PhD thesis written under the supervision of Hicks at Oxford [1949-1952] and various unpublished manuscripts. I will also use the papers and the book, *Introduction to Mathematical Economics* [1957], published by Clower during the 1950s and early 1960s. First, I demonstrate that Clower neglected systematically the problem of involuntary unemployment during the fifties. He was interested in generalizing the "traditional price theory". The stock-flow models he formulated with Don Bushaw dealt with the introduction of "balance sheet" in price theory under the assumption that markets always cleared [1952-1957]. Then, he focused on price formation in cases admitting individual disequilibrium [1954-1959]. But, again, involuntary unemployment was not the issue. Clower was not interested by the impact of disequilibrium transactions' realization. He wanted to formulate a model capable of explaining market price formation regardless of market structures (perfect competition, oligopoly or monopoly). Second, I show that it is only in 1960 Clower decided to address comprehensively the debate over "Keynes and the Classics". Putting the stress on market adjustment mechanisms, Clower argued that a Keynesian model would feature an unstable full employment equilibrium. Surprisingly enough, in spite of this, he concluded that the analytical difference between Keynes and the Classics was not fundamental: "It is more one of subject matter than of underlying postulates" [Clower, 1960: p.25]. But in trying to deduce this result from a traditional general equilibrium model, Clower realized the necessity to reject walrasian consumer microeconomics and radically changed his mind regarding the analytical differences between Keynes and the Classics. The study tries to explain this volte-face by looking at its intellectual context: the influence of Patinkin [1956] and of the efforts on the part of Walrasian economists to formalize non-tâtonnement processes around 1960 [Hahn and Negishi, 1962]. Beyond this volte-face, this study highlights two analytical features of Clower's contribution [1965]: its dynamical dimension as well as the ambiguity of its rupture with the walrasian paradigm.

---

\* University of Lille 1, [romain.plassard@ed.univ-lille1.fr](mailto:romain.plassard@ed.univ-lille1.fr).

## The Methodenstreit and the Waning Influence of French Liberalism in Europe in the 1870s

*Monika Poettinger*<sup>\*\*</sup>

The outcome of the Franco-Prussian war and the unification of Germany irreversibly altered Europe's political equilibrium and with it the ideological predominance of French culture on the Continent. This was particularly true for the young economic science, the most brilliant outcome of enlightenment. It had been political economy, with its natural laws, to justify the revolutionary claim to individual freedom, foundation of wealth and welfare. For the followers of Smith, Say and Bastiat, political economy was "a Science on the banner of which was written Freedom in everything and for everyone", a science that embodied the emancipation of man from an overbearing and absolutistic State, limiting political intervention to granting the rights of individuals. Francesco Ferrara would summarize: "The wondrous saying of Quesnay, laissez faire laissez passé, must be considered the most beautiful synthesis that human mind ever conceived; because, with the approval of Eisenach and Berlin or not, law, justice, order, wealth, welfare, peace and morals cannot be explained nor understood, till one comprehends that they are nothing else and nothing more than Freedom". The predominance of this economic liberalism had had its culmination in 1860 with the Cobden Chevalier Treaty, sanctioning not only the commitment of Great Britain and France to free trade but also the proximity of their traditions in economic thought. The emergence, though, in the subsequent decade of new national bodies in Italy and Germany brought to the forefront the necessity to justify institutional changes and profound reforms in law and politics, a feat done summoning the historical evolution of societies more than endorsing individual freedom. The existence of immutable laws of nature in the economic sphere, grounded in individualism, could not suit the Italian and German endeavour of state building as the national conscience of the new born states could not be fed with theories of foreign ascendancy. In both nations the necessity was felt to develop an economic thinking prone to state intervention and diversified from Anglo-French tradition. Eisenach was the German answer, Milan the Italian one. Both congresses, held in 1872 and 1875 respectively, harshly condemned the inhuman working conditions, for women and children, entailed in the industrialization process and consequently invoked the intervention of the State in the name of moral principles. Contingency was so the excuse of pervading policies that could be adapted to different situations in space and time. Prussia's military predominance lent force to these theoretical arguments as ideology followed political power. Liberalists could not accept such turn in economic science. Across borders, alarmed reviews of the two Congresses were printed, translated and commented, journals were even founded with the intent to refute or diffuse the new theories. The ensuing Methodenstreit became a powerful means to diffuse economic thinking in the whole of Europe, stimulating international reviewing of economic books and articles and the translation of economic texts.

---

\* Università Luigi Bocconi, [monika.poettinger@unibocconi.it](mailto:monika.poettinger@unibocconi.it).

## Inextricability of Confluence and Autonomy in Econometrics

*Duo Qin*<sup>\*\*</sup>

This paper examines how ‘confluence’ and ‘autonomy’, two key concepts by Frisch when he initiated econometrics, have descended into textbooks in a partial and fragmented way and why the essence of the two terms has gone lost. It emphasises the importance of understanding the terms as a unity of the opposites and shows how the over-simplistic view of regarding them as merely opposites can lead to misconceptions and methodological defects in empirical research. Specifically, the over-simplicity is related to the reliance on a single rule of subject-matter association for model selection, whereas the unity entails the need for a set of model selection rules based on both the subject-matter association and statistical association. The need also destines minimum model closure as the primary and central task for applied modellers. The task involves particularly an intelligent combination of a priori theory with specific sample data features.

---

\* SOAS, University of London, dq1@soas.ac.uk.

## The Evolution of Bank Money

*Jens Reich*<sup>\*\*</sup>

In this essay an economic category sui generis is derived from the history of economics and the history of economic thought: bank money.

If one asks for the definition of a bank the classical answer is to refer to Daniel Webster's 1839 definition: Banks are “shops” which supply bank notes. But this raises another question: what are bank notes? In the history of economic thought two stylized positions can be found. The “Currency School” regarded bank notes as inflationary circulating currency, bearing similar properties like legal tender coins. The “Banking School” on the other hand argued that bank notes would be similar to deposits. Therefore, it was argued, bank notes and deposits would be – in analogy to bills of exchange – a form of circulating credit. In this inquiry it is argued to regard bank notes and bank deposits (current accounts) as a category of their own: bank money. Bank is credit and money at the same time but, however, bank money differs in certain respects from bills of exchange.

This paper focuses on the evolution of the instrument by which banks emanated from other money broker or pawn shops. The benefit of this “instrument based” or institutional perspective is the development of an economic category sui generis: bank money.

The evolution from early monetary systems in which bank money was forbidden, like the Roman empire, to its evolution out of bills of exchange is traced in the history of economic thought along different writers to its present, where bank money mostly takes the form of positive balances on current accounts, and its present perception.

The achievement of this approach is a sound understanding of the nature of banks, bank money, and the connected problems. With the developed term it is furthermore possible to re-access different historical debates and shed new light on these disputes.

---

\* Univ. of Frankfurt, jreich@wiwi.uni-frankfurt.de.

## J.M. Keynes, F.A. Hayek and the Common Reader

*Constantinos Repapis*<sup>\*\*</sup>

This paper gives an account of the debate between F.A. Hayek and J.M. Keynes in the 1930's written for the general public. The purpose for this is twofold. First to provide the general reader with a narrative of what happened, and pointers to further reading that are accessible to the non-specialist. Second, to discuss how academics can fruitfully bridge the gap between their specialist work and the public without reducing complex themes into one-dimensional narratives. I use the Keynes vs. Hayek debate as a case study on how this may be achieved.

---

\* University of Oxford, [constantinos.repapis@spc.ox.ac.uk](mailto:constantinos.repapis@spc.ox.ac.uk).

## **“Circulation is the principle of life”: Medical Thought and Economic Analyses in the Work of François Quesnay**

*Fernando Ribeiro and Nelson Cantarino\*\**

The life and work of François Quesnay (1684-1774) are well known by the historiography of economic thought. In particular, the analogy between the discovery of Harvey (1578-1657), presented in "De Motu Cordis" first published in 1628 and the structure and dynamics of the "Tableau Économique", published in 1758, is appellant. We search here for an alternative route to understand the work of the French author. First, from a more general point of view, we design the path from Natural Sciences towards the formation of Economics scientific autonomy in France in the second half of the Eighteenth Century. Next, we seek to identify from the medical works of Quesnay, his affiliation between the various approaches in dispute in medical thinking. This effort is subordinated to the precise identification of the influences of these ideas in the preparation of what Mirabeau judged the third greatest invention of mankind: the "Tableau Économique". Thus, we intend to shed light on the interfaces between medicine and the shaping of the economic thought in the Ancien Régime. Finally, since medical as well as social thought were very much influenced by the Enlightenment and its appeal to natural forces driven humanity towards plenty and progress, we try to develop the connections between liberalism and Quesnay's medical and economic ideas.

---

\* INSPER, fernandoribe@hotmail.com; and INSPER, nmcantarino@hotmail.com.

## Information, expectations and monetary policy: Keynes' and Friedman's complementary lessons for today

*sylvie rivot*<sup>\*\*</sup>

The 2007-2009 crisis has shaken the 'consensus' (Goodfriend 2007) that prevailed hitherto regarding monetary policy. Debates regarding monetary policy now face issues such as financial stability and the monitoring of quantitative aggregates. Yet, the core principles of this monetary consensus (inflation targeting as the main goal, the management of expectations as the main channel and interest-rate rules as the main instrument of monetary policy in 'normal' circumstances) are viewed as relevant as ever. What is striking from a historical perspective is that major points of contention that interested economists in the past, such as the interrelated relations between fiscal policy and monetary policy, what should be the basic goal of monetary policy or to which extent the whole interest rates structure should be monitored by central banks, are almost completely passed over nowadays.

The paper reviews the main features of the monetary consensus that prevails nowadays along Keynes' and Friedman's respective lines of analysis. In our view, these two major economists could provide us today with renewed avenues of reflection regarding the way one commonly understand the working of monetary policy through the management of expectations, the core principles of monetary policy as well as the relationships between monetary policy and financial markets functioning – an issue that is almost set aside in contemporary debates.

We first examine the expectations issue. We will show that, just as today, for both Keynes and Friedman the management of expectations is at the centre of their matters of concern while they approach the issue of uncertainty and information differently than the contemporary rational expectations approach. In a second step, we will turn to the basic goal and instrument Keynes and Friedman respectively assigned to monetary policy. On the one hand, we will see that Keynes is at odds with the modern approach which counts on monetary policy to fight inflation. Regarding Friedman, we will see that the points of agreement between his approach and the modern one which are sometimes stressed are quite superficial.

Last, we will consider the interrelationships between monetary affairs and the financial side of a decentralised economy – an issue that proves crucial for both Keynes and Friedman but yet in a completely different manner. While monetary policy ultimately aims for Keynes to control the financial side of a monetary economy through the resolution of its intertemporal coordination failures, Friedman's ultimate advocacy for the freezing of the monetary base has as its corollary the complete deregulation of financial markets. To conclude, the ways Keynes and Friedman respectively framed the monetary policy issue are on some occasions quite convergent (especially regarding their shared concern for the management of expectations) and much more often hardly reconcilable. But for us today, the avenues of reflection they offer us should be viewed highly complementary for a review of the present monetary 'consensus'.

---

\* University of Mulhouse, rivot@unistra.fr.



## The structural asymmetry of the gold standard in Hawtrey's works (1919-1922)

*Pierre-Hernan Rojas*<sup>\*\*</sup>

Ralph George Hawtrey was considered as a distinguish economist during the XXth century. He occupied an eminent position in the British Treasury from 1904 to 1947 and contributed to the debates on national and international monetary reforms (the Genoa conference in 1922 and the return to gold standard in England in 1925). According to J.A. Schumpeter [1946] and J.R. Hicks [1969], Hawtrey largely influenced Keynes' economic thoughts during the twenties. The Hawtreyan economics [1913, 1919, 1932, 1945, 1967] deals with the role of monetary factors in the business cycle. Theorizing the gold standard working, the core of Hawtrey's argument is that credit is inherently unstable and that the monetary policy is the only means to control credit expansion. His monetary thought was largely analyzed by P. Deutscher [1990], D. Laidler [1991 & 1993], J. de Boyer des Roches [2000 & 2003] and J. Mendez [2012]. However, none of these works emphasize the link between his monetary theory and his international gold standard analysis (1870-1914). Indeed, the gold standard as a self-equilibrating mechanism was challenged by the idea that England managed it during the period. This paper suggests that the instability of credit is not only a national but an international issue in an asymmetric international monetary system. There is a difference between the core countries, which centralize international trade finance, and the peripheral countries. This clarifies the instauration of gold exchange standard at the Genoa Conference in 1922: this form of gold standard is not more than the institutionalization of the pre-war asymmetry.

In this paper, I attempt to examine the adjustment mechanism of the international gold standard in the line of Hawtrey's monetary cycle theory. The first part points out fundamental elements of his theory in closed economy, which could help to clarify the causation between the instability of credit and monetary cycles, and the way that monetary policy could correct this instability. The second part insists on the Hawtrey's theory in open economy. We suggest that the balance-of-payments adjustment mechanism does not result automatically of gold movements. The adjustment mechanism relies on the variations of the Bank of England's discount rate in the international gold standard. For these two parts, the first and the third edition of *Currency and Credit* [1919, 1928] and the *Gold Standard in Theory and Practice* [1927] are used. In the third part, we attempt to shed light on the issue of international monetary system reform advocated by Hawtrey during the twenties. In the context of competition between England and the United States to be an international financial centre, the gold exchange standard [Hawtrey, 1919 & 1922] and the international lender of last resort [Hawtrey, 1932] were means of organizing the new global monetary asymmetry. For this analysis, we have used 1922 Hawtrey's article about Genoa conference, *Monetary Reconstruction* [1923] and the *Art of Central Banking* [1932].

---

\* Paris Dauphine University, pierre.rojas@hotmail.fr.

## Accident Costs, Resource Allocation, and Individual Rationality: Blum and Kalven vs. Calabresi

*Rustam Romaniun, Alain Marciano and Giovanni B. Ramello\*\**

We spotlight the behavioral aspects of a hard fought polemic over the use of economic analysis in accident law — that between Walter Blum and Harry Kalven on the one side and Guido Calabresi on the other. Our focus is primarily on Blum and Kalven’s arguments developed throughout the 1960s (in published and unpublished form). We show that they went through a substantial transformation, from a general attack on Calabresi to a specific rejection of an economic theory of how rational people behave in response to legal rules. This is all the more interesting that Blum and Kalven, both on the University of Chicago law faculty, rejected, in particular, the behavioral foundations on which “Chicago economics” rests. Our account of the dispute sheds light on the historical antecedents to what today is viewed as an innovation in law and economics—the idea that traditional incentive strategies have a limited ability to shape behavior.

---

\* University of Montpellier 1 and University of Turin, rustam.romaniuc@unito.it; University of Montpellier 1, LAMETA; alain.marciano@univ-montp1.fr; and University of Eastern Piedmont, giovanni.ramello@sp.unipmn.it.

## **“The inner exile”. Economic liberalists and liberal economic perspectives in Norway in the post war-era**

*Gjermund Forfang Rongved and Einar Lie\*\**

In Norwegian historiography the work and massive influence of planning-oriented economists in the post-World War II-era has been subjected to extensive analysis. Economist educated from the Department of Economics at the University of Oslo dominated the key positions as government advisors and planners. These candidates were influenced by the ideas of economic interventionism we find in many countries from the late 1930s and into the post-war era, although the belief in detailed planning, regulations and intervention was probably stronger in Norway than in many other countries. The new profession was perhaps the most salient example of how science played a more robust and explicit role in shaping post-war policy. Moreover, economic planning and governance were important catchwords for the Labour Party, which governed with a majority of seats in the Norwegian parliament from 1945 to 1961 and thereafter as a minority cabinet until 1965. This development continued under centre-right governments, and it was not until the late 1970s that liberal steering principles gradually were introduced.

What has been given little attention in the Norwegian historiography is the role of liberal perspectives in economic thinking and debate. From 1947 Norwegian liberal economists were organized in the foundation “Libertas”. The same year Trygve Hoff, editor of the liberal journal “Farmand”, was one of the founding members of the Mont Pelerin Society. Domestically, the Norwegian liberal economists created networks from their positions in banks, associations and commercial life, and Norwegian business organizations also financed a research institute with a range of economists involved.

However, the influence of liberal economists seems minimal. In this paper we will first give a brief description of who these liberal economists were, their sources of intellectual inspiration, and what kind of relations they had with organized liberal intellectual communities abroad. We will then move on to a discussion of why liberal economists seem to have had a relatively limited influence on policies and public debate. We will try to sustain two different arguments. First, that liberal economists lost their public position, not only as preferred or trusted experts in economic matters, but to some extent as economic experts as such. Both ‘modern’ economists, led by Professor Ragnar Frisch (Nobel Laureate in 1969), and Labour politicians targeted liberal ideas when talking about the promise of future planning and failure of past (inter-war) politics. Partly as a result of this rhetoric, liberals seem to have been regarded more as advocate of a particular political idea, or dissenting intellectuals, than economic experts.

Furthermore, organized liberals lacked political support. The University economists obviously gained authority through their trusted positions as planners and policy makers. Not only were organized liberals precluded from government offices; they had less and less influence on traditional conservative and liberal political parties. Similar to what Niklas Olsen has argued was the case in Denmark, it seems as if liberal ideas did not become influential in Norway because the traditionally liberal-oriented political parties to a larger and larger extent gravitated towards political positions previously held only by the Labour Party.

---

\* University of Oslo, g.f.rongved@iakh.uio.no; and University of Oslo, einar.lie@iakh.uio.no.

## The origins of American economic ideas about competition and antitrust

*Ana Rosado* \*\*

At the end of the XIX century American firms shaped their structure until multidivisional companies and some of them became trusts. Many authors began to be worried about the size that these companies had reached; one of these authors was John Bates Clark. The argument of Clark was the loss of welfare which customers have to bear due to the fact that companies controlled the market, and the price; Jeremiah Jenks, Richard Ely and others made similar argumentation. On the other hand companies' counter-argument was, and even is today, that they need a market large enough to achieve economies of scale.

The internalization of market transactions was the strategy of the majority of American companies at the end of the nineteenth century in order to increase the productivity and reduced the costs. Until 1880 the biggest American firms internalized suppliers of inputs and since 1890 included distribution of consumer goods in the United States, at the same time, the builders of the new retailing enterprises amassed impressive fortunes. As a result the problem of trust became a moral issue, supported by the fact that society wealth has been transferred from customers (middle class) to richest men around the country.

In this paper we tried to shade light about the economic arguments in order to restrain the power of big American companies. These theoretical arguments could be considered as the prelude of American antitrust, in fact, Jenks and Clark mixed diverse economic conceptions as economies of scale, market power, abuse, control of raw materials, etc. with the intention to explain all companies' behavior under one analytical framework worthwhile for any kind of business, industries, distribution companies and so on. Ely's early and continued insistence upon the fact that mere size does not give sufficient advantage to be the basis of a lasting monopoly, and that where there is such monopoly there must be some definite source of monopoly power. Clark's thesis was the only power for evil possessed by most of the trusts was the power of predatory competition. Jenks had a political interest in prevention monopolizing activities. The relevance of Jenks as economist is his active role changing the American framework of competition. In 1899-1901 Jeremiah Jenks were expert adviser and scholar for the United States Industrial Commission on investigation of trusts and industrial combinations in United States and Europe; which was a United States government body in existence from 1898 to 1902; it was appointed by President William McKinley to investigate railroad pricing policy, industrial concentration, and the impact of immigration on labor markets, and make recommendations to the President and Congress. By 1898-1900, he was acting, as well, as a principal adviser to New York Governor Theodore Roosevelt, especially in matters of corporations and corporation law. Jenks was particularly active in the movement to expand federal authority. He also helped to draft the Hepburn bill of 1907, which aimed to expand the regulatory powers of the Commissioner of Corporations. Jeremiah Jenks also sat on the four-man committee headed by John Bates Clark which drafted a preliminary version of the 1914 Clayton Antitrust Act.

---

\* Complutense University of Madrid, arosado@ucm.es.

## **Disequilibrium economics: a tale of cacophony or inherent difficulty?**

*Goulven Rubin*<sup>\*\*</sup>

In 2013, Roger Backhouse and Mauro Boianovsky published *Transforming Modern Macroeconomics Exploring Disequilibrium Microfoundations, 1956-2003*. This book presents the first comprehensive history of the search for disequilibrium microfoundation or disequilibrium theories. The aim of the present essay is twofold. In the first part, I will summarize their argumentation in order to capture their most important claims. In the second part, I will assess these claims and sketch an alternative view of the subject. Backhouse and Boianovsky offer a larger treatment of the subject than the one proposed by De Vroey (2004, 2009), the only true alternative. But their version of the story can be questioned on two grounds. Firstly, their presentation of the early phase of the search for disequilibrium microfoundations downplays the role of Don Patinkin. As a consequence, they tend to overemphasize the heterogeneity of approaches related to disequilibrium. This leads to a dubious explanation of the failure of these approaches to survive the 1980s. Secondly, they argue that disequilibrium theories left a deep mark on contemporary macroeconomics. This claim derives from the importance they attach to models of imperfect competition within the disequilibrium literature and to the idea that any model of imperfect competition is a disequilibrium model. Since monopolistic competition is a central feature of contemporary macroeconomics, they conclude that disequilibrium economics lives on. But this claim is not supported by a step by step demonstration. Reading their rich and important book will also be the occasion to take stock and identify the issues that remain unanswered and need to be clarified in order to complete the history of disequilibrium macroeconomics. I shall also ponder upon the possibility for such a history to inform our understanding of contemporary macroeconomics.

---

\* Université de Lille 2, goulven.rubin@univ-lille2.fr.

## Principles of Taxation - From Samuel Pufendorf to Adam Smith

*Arild Sæther\*\**

Samuel Pufendorf outlines his principles of taxation in *De Jure Naturae et Gentium* (The law of nature and nations) from 1672. He discusses the states right to tax, what kind of taxes should be levied and considerable attention is given to how taxes are collected from the taxpayers.

A sovereign has the right to levy taxes on all imports and exports, and to appropriate some part of the cost of goods consumed at home. However, all should pay their share of the tax burden. No citizen should be granted exemption, “with the result that the rest are defrauded and overburdened”.

Considerable attention is given to how taxes or other burdens are collected and levied on the citizens. Taxes should be collected with the least possible expense and in such a way that no large amount stick to the fingers of the collectors.

Pufendorf favours indirect taxes and customs duties on luxuries since they are consumed by the rich. This is so because the public is affected differently by varied taxes. Less by moderate customs or excise taxes than by direct taxes and levies. With respect to customs we should bear in mind whether the imports constitutes necessities of life or merely serve the requirements of luxury. Another reason to lay a heavy custom on import of certain commodities is the infant-industry argument. With regards to export we should distinguish between commodities which are the only means for some citizens to make a living or commodities which the commonwealth will prosper if they are forbidden. In the first case no taxes and in the latter increased taxes.

When taxes or burdens are levied, special care should be taken so that taxes are laid upon citizens equally. Pufendorf finds it reasonable that those who share equally in the peace should pay equally for it in money or services. The immunities from paying tax can only be defended if they are balanced by the quality of the services these people provides. Equality is understood as the burden assigned to each man so that it “should not lie more heavily on one than another”.

Pufendorf favoured taxes on consumption and believed in proportionality in taxation. Since every man’s wealth receives its defence from the state, the tax burden should be laid in proportion to the citizen’s income. This paper tells the story how these ideas was taken over by John Locke and Francis Hutcheson and ended up in Adam Smith’s maxims of taxation.

---

\* Agder Academy of Sciences and Letters, Arild@Saether.no.

## **Who will bear the costs? The allocation of tax burden in the liberal state in Spanish economists and their influence in policy**

*Javier San Julian Arrupe\*\**

The slow process of the constitution of liberal states in the central decades of the 19th century had to face the problem of financing the increasing number of competences that governments were assuming. Taxation, debt and money issuing represented the main options to raise financial resources and thus to overcome the budgetary constraints of these regimes. Confronted with this new challenge, economists sought to give response to the need for raising resources. The debate on the organization of the tax system became one of the core economic discussions in Western societies in this period. One of its central aspects was the question of how to allocate fairly the tax burden, provided that there were some restrictions: Taxes were believed to hamper private activity (therefore capital accumulation and economic growth), fiscal administration had limited resources, and government expenditure demanded high annual revenues which had to be apportioned anyway. This paper is a part of a broader analysis on the ideas of economists on how should states finance in the 19th century. It studies the positions of Spanish economists in the mid decades of the century on the question of the design of the tax system. Despite their theoretical efforts, which insert in the ongoing European debate on taxation, these economists saw their actual influence in policymaking constrained on behalf of the urgency of the financial needs of governments and of the enormous limitation of fiscal administration institutions.

---

\* University of Barcelona, jsanjulian@ub.edu.

## **At the origin of the notion of "creative goods" in economics: Scitovsky and Hawtrey**

*Eleonora Sanfilippo and Antonio Bariletti\*\**

The concept of “creative goods” has assumed a growing importance in the recent economic literature on happiness, motivations and life-satisfaction. Starting from the seminal contribution of Scitovsky, a variety of models have been built up to analyze the effects of these goods on consumers’ well-being, in connection with cultural, sociological, psychological and educational aspects. An increasing interest towards “creative industries” has also been shown, recently, by policy makers and international institutions (see, e.g., the UNCTAD Report on ‘Creative Economy’, 2010), in particular in relation to their impact on economic growth. Less effort seems to have been devoted by economists to provide a clear and rigorous definition of this category of goods. This is why, despite of its wide use, the notion still remains somehow vague and not univocal. The aim of this paper is to provide a contribution to the clarification of this concept through a comparison between its original meaning (and subsequent evolutions) in the works of Scitovsky (1959, 1976 and 1992) and Hawtrey (1926).

---

\* University of Cassino and Southern Lazio, [eleonora.sanfilippo@yahoo.it](mailto:eleonora.sanfilippo@yahoo.it); and University of Cassino and Southern Lazio, [bariletti@eco.unicas.it](mailto:bariletti@eco.unicas.it).



## Hayek and Knight on the conditions of liberal society: How two critics of “liberals” came to different conclusions

*Masanobu Sato*<sup>\*\*</sup>

The purpose of this paper is to clarify the different views of Hayek and Knight on the conditions of liberal society, and to answer the question of how these two famous critics of liberals adopted different conclusions and positions. For this purpose, I reconsider the meaning of Knight's critique of Hayek's *The Constitutions of Liberty* and examine their different dichotomies of freedom (namely, Hayek's negative/positive dichotomy and Knight's formal/effective dichotomy).

Hayek and Knight were known as critics of progressives and liberals in the United States in the twentieth century. The main targets of Hayek's *The Road to Serfdom* were American progressives and liberals, such as Dewey, Commons, and other institutionalists; Knight is also known as a critic of such liberal reformists. In *The Constitutions of Liberty*, Hayek mentioned Knight positively many times, especially regarding his views on freedom. Both seemed to share principles of “classical liberalism,” and they have been categorized within the same group. They were both founding participants of the Mont Pelerin Society.

However, Knight took a critical position toward Hayek's books, like *The Road to Serfdom* and *The Constitutions of Liberty*. Most readers of Hayek's book must have been thrown into confusion, because Hayek referred to Knight's arguments on freedom frequently in that book, taking them as corroboration of his own view that freedom must be taken as “negative”: in other words, taken as a freedom from coercion and arbitrary power.

Although Knight criticized contemporary liberal reformists, this does not mean that Knight took the same position as Hayek with regard to freedom. Knight clearly stated that the dichotomy of Positive/Negative freedom was misleading, and he recommended instead the dichotomy of Formal/ Effective freedom?

Therefore, we scrutinize their dichotomies of freedom closely, and clarify how they led to different views on the conditions of liberal society. In this process, we pay attention to the influence on Knight's views of John Maurice Clark, a representative of the institutionalists movement. It is necessary to clarify why two famous critics of liberals came to different conclusions, and what led to their different positions with regard to understanding the conditions of the liberal society and re-mapping social philosophies in early-twentieth-century economic thought.

---

\* Kansai University, masanobu@kansai-u.ac.jp.

## **Profits Equal Surplus Value on Average and the significance of this result for the Marxian theory of accumulation**

*Bertram Schefold\*\**

Summary: Marx' justification of his theory of surplus value in the face of unequal compositions of capital, by interpreting total profits as a redistribution of surplus value, is not correct in general, but it is shown here that the equality holds, if the input matrices are random and if the labour theory of value holds, in a sense to be specified, on average. Manuscripts recently published for the first time confirm that Marx to the end trusted his approach to the theory of value in that he continued to use the identity of the aggregates of capital and surplus in value and in price terms. His insistence was rooted in his philosophy. An attempt is made to clarify his use of a Hegelian methodology by comparing Hegel's and Marx' approaches to the foundation of the infinitesimal calculus. The paper concludes with Marx' late reconsiderations of this theory of the falling rate of profit, which also continue to be based on the equality of profit and surplus value.

---

\* Goethe-University, Frankfurt, schefold@wiwi.uni-frankfurt.de.

## Milton Friedman and Economic Reform in Israel, 1977

*Daniel Schiffman, Warren Young and Yaron Zelekha\*\**

In May 1977, a political sea-change took place in Israel, when a Center-Right coalition of political parties (Likud) replaced the Labor Party that had ruled since 1948. The government in formation, led by Begin, invited Milton Friedman, the 1976 Nobel Laureate in Economics, to serve as an unofficial economic policy advisor. Friedman visited Israel during July 3-8, 1977, and proposed a broad package of free market economic reforms. This paper documents Friedman's views, activities and influence using a wide range of primary sources.

In Israel, Friedman met with Prime Minister Begin, Finance Minister Ehrlich, Bank of Israel officials and the Parliamentary Finance Committee. He urged the government to implement extensive reforms, including gradual disinflation, floating the currency, phasing out exchange controls, reducing government expenditures and taxes, privatizing state lands, and abolishing subsidies and directed credit. However, even before this, on May 24, Friedman caused a "firestorm" in Israel by having been reported as calling for "a free labor market and a certain amount of unemployment." This remark, which was widely misinterpreted as a call for permanent unemployment, was very poorly timed in light of the upcoming Israel General Federation of Trade Unions election-. Friedman became a lightning rod for opposition attacks on government policy; consequently, Begin and Ehrlich eventually dissociated themselves from him.

On October 28, 1977, the government announced an "economic revolution:" It greatly liberalized exchange controls, reduced export subsidies and import tariffs, and essentially floated the currency. Friedman lauded the government for its "courage and wisdom" and predicted a "reduction of inflationary pressures", among other positive effects. But Begin and Ehrlich again distanced themselves from Friedman, and failed to implement the remainder of his agenda. The "revolution" failed: inflation accelerated, forcing the government to partially re-impose controls.

Despite his academic standing, Friedman's policy prescriptions proved problematic to implement in Israel, due to institutional and political constraints. The Begin government, which had promised liberalization and privatization, only partially implemented the former, and did not even attempt the latter. Nevertheless, parts of Friedman's agenda would ultimately be implemented by later Israeli governments (e.g. disinflation, trade liberalization, the elimination of directed credit and most subsidies on consumer goods, and privatization). Therefore, Friedman's role as an advisor to Israel cannot be considered a complete failure.

---

\* Ariel University, daniels@ariel.ac.il; Bar Ilan University, youngwprof@yahoo.com; and Ono Academic College, yaronzl@013.net.

## A nuanced perspective on episteme and techne in Finance

*Christophe Schinckus and Yuval Millo\*\**

The distinction between financial practices and academic finance is often associated with the classical Aristotelian opposition between episteme and techne. Through a more Socratic lens, this article rather shows that this usual distinction is not so clear in science and especially in finance. In this perspective, we remind the importance of the Black-Scholes-Merton model in the scientific emergence of financial economics but also its influence in financial practices in the 1970s. More precisely, this paper provides a historical inquiry on the emergence of the Chicago Board of Trade in the 1970s in order to show the impact of the Black-Scholes-Merton model on the original organization of this market. In this case-study, episteme and techne appear to be more interconnected than a classical perspective would suggest it.

---

\* University of Leicester, cs354@le.ac.uk; and University of Leicester, ym95@leicester.ac.uk.

## **Economic theory and the history of EU regional policy: Adam Smith revisited**

*Peter Schmidt\*\**

This paper reconstructs the history of EU regional policy and compares it with Adam Smith's equilibrium and evolutionary economics in his *Wealth of Nations* as well as their subsequent developments in economic theory. The prevalent explanation of EU regional policy in general equilibrium economics, resting upon the equilibrium part of Smith's magnum opus, is focusing on allocative and distributive market failures as its key underpinning. Reviewing the history of EU regional policy, however, it becomes clear that market failures can barely explain its politico-economic development since the foundation of the EU by the Treaty of Rome in 1957. This paper therefore argues, that only a consideration of the evolutionary perspective on economic activities in the European internal market allows for an explanation of EU regional policy coinciding with its historical development, since it is open for the integration of explanatory variables from scientific disciplines others than economics.

---

\* University of Potsdam, schmidtp@uni-potsdam.de.

## Adam Smith’s ‘Two Distinct Benefits’ from Foreign Trade and the Dead-End of a Smithian ‘Vent-for-Surplus’ Theory

*Reinhard Schumacher*<sup>\*\*</sup>

Adam Smith writes of “two distinct benefits” from foreign trade, which have been interpreted by Hla Myint as a vent-for-surplus gain and a productivity gain. This classification has been adopted widely, but it has also caused some debates, especially the vent-for-surplus gain. I argue that Myint’s interpretation is based on a misreading of one paragraph of Smith’s *Wealth of Nations*. Smith’s two distinct benefits consist of exports and imports. Consequentially, Smith does not have a vent-for-surplus theory. In this article, Smith’s true benefits from trade are discussed as well as the reason for their modern misinterpretation. Additionally, the Ricardo’s and John Stuart Mill’s criticism against Smith’s gains from trade should shortly be outlined, since it as well is misunderstood.

---

\* University of Potsdam, [rschumac@uni-potsdam.de](mailto:rschumac@uni-potsdam.de).

## F. A. Hayek's "calculus of consent"

*Régis Servant*<sup>\*\*</sup>

The core of F. A. Hayek's work consists in the idea that a regime of competitive/liberal capitalism entails advantages that cannot be matched or approached by any alternative economic systems (centralized planning, social justice regime or bargaining democracy). The arguments that Hayek presents in favor of this idea are manifold. This paper aims to show that one of these arguments is contractarian. That is, free market capitalism is, according to Hayek, a good economic system because it is very likely to be approved – consented – by the people, thus making it superior to the other regimes cited above. More precisely, this paper is an attempt to show Hayek's contractarianism using the vocabulary of The Calculus of Consent (Buchanan and Tullock [1962]). We believe that this vocabulary is an efficient way of explaining Hayek's contractarianism and that it does not distort his thinking.

The presence of contractarian elements in Hayek's economic thought has already been pointed out by commentators such as Vernon [1979], Diamond [1980], Sugden [1993], and Vanberg [2008], [2011]. However, to our knowledge, the similarity between Hayek's contractarian argument and the analysis of The Calculus of Consent by Buchanan and Tullock [1962] has never been highlighted. Our paper will try to fill this gap.

---

\* PHARE, [servantregis@romandie.com](mailto:servantregis@romandie.com).

## **Ricardo the ‘Logician’ versus Tooke the ‘Empiricist’: on their different vital contributions to classical economics**

*Matthew Smith*<sup>\*\*</sup>

David Ricardo (1772-1823) and Thomas Tooke (1774-1858) were contemporaries in the ‘golden era’ of English classical economics, along with Malthus, Torrens and McCulloch. The central figure in that era was undoubtedly Ricardo with his vital contributions to the ‘core’ analysis of value and distribution. By contrast, Tooke’s vital contributions were mainly to the empirical analysis of prices as well as to the theory of money and prices, the latter made well after Ricardo’s premature death in 1823. Whereas Ricardo can be characterized as the ‘Logician’, the supreme deductive thinker among classical economists; Tooke can be characterized as the ‘Empiricist’, the supreme inductive thinker among classical contemporaries. The purpose of this paper is to explore the relationship between these two economists with their very different approaches to economics and to compare their different but vital contributions to the development of classical economics. We first consider and show the path-making nature of Ricardo’s contribution to the development of the ‘core’ theory of value and distribution. The paper then considers Tooke’s banking school monetary theory, showing it to represent an outright rejection of Ricardo’s well established monetary theory. It is argued that Tooke’s monetary theory provides a more valuable and lasting contribution than Ricardo’s quantity theory of money to the modern development of classical economics. In the brief conclusion we reconcile the different contributions of these two economists to modern classical economics.

---

\* University of Sydney, [matthew.smith@sydney.edu.au](mailto:matthew.smith@sydney.edu.au).



## **From economic theory to Kulturkritik : the German neoliberal Wilhelm Röpke facing the « crisis of our time »**

*Jean Solchany*<sup>\*\*</sup>

At the end of the twenties, Wilhelm Röpke belonged to a new generation of German economists eager to fight the (neo)historicist school and to promote a theoretical approach more akin to the international mainstream. The promising young professor at the university of Marburg was also a staunch liberal becoming more and more close to Walter Eucken or Alexander Rüstow. But facing the economic crisis of the thirties was a paramount challenge for liberal economists, who were unable to predict it and reluctant to heal it using unorthodox means. In this respect, Röpke was one of the most innovative economists, suggesting audacious diagnosis and therapy well beyond the liberal orthodoxy. Yet he also felt the need to mobilize a more sociological framework to analyse a dramatically unusual phenomenon. From 1930 onwards, Röpke began to link his economic reflection to a more comprehensive analysis of the social, political and cultural situation of the world since the end of World War I. He was more and more convinced that the great depression was simply the result of an overwhelming civilization crisis. Neglecting more and more theoretical economy, demonizing more and more industrialization, secularization, massification, and urbanization and other indications of the supposed crisis of modern civilization, Röpke progressively became a liberal-conservative thinker. Using the tools of intellectual history, my paper aims to contextualize the neoliberal thought as a comprehensive worldview embedded in the intellectual turmoil generated on a transnational level in liberal-conservative circles by the real or alleged challenges of the so-called mass society and mass democracy, the economic crisis and the rise of statist and totalitarian ideologies and regimes.

---

\* Institut d'Etudes Politiques de Lyon, solchany@dbmail.com.

## Derivatives before stochastic calculus: option pricing in the late 19th century

*Dimitris Sotiropoulos*<sup>\*\*</sup>

Options have played an important role in the development of financial markets from the very early stages of capitalism. Numerous examples can be mentioned. For instance, it is known that options played a crucial role in the famous Tulip Mania and they were being widely traded in London by the end of 17th century. From the early 19th century, London brokers on several occasions mentioned that trade in options had tendencies to become the greater part of the business on the stock exchange. By the end of the same century, the first systematic pamphlets made their appearance summarizing the relevant established trade practices in the small but vibrant OTC options market. These pamphlets attract very little theoretical attention and when they do they are usually misunderstood, being invidiously compared with contemporary financial sophistication. The paper returns to the discussions of the late 19th century focusing on the influential intervention of Higgins, initially published in 1896. The paper makes two analytical contributions. First, it sees Higgin's pamphlet as a case study that supports the performativity thesis. Second, it examines Higgin's approach in the socio-technical context of the time highlighting its neglected originally and pointing out that it foreran some of Bachelier analytical insights.

---

\* The Open University Business School, d.p.sotiropoulos@gmail.com.

## Hermann Schulze-Delitsch and German Liberalism

*Sabine Spangenberg*<sup>\*\*</sup>

The paper will analyse the placement of Hermann Schulze-Delitsch within the liberal spectrum of German economic thought of the 19th century. The first half of the 19th century is characterised by demographic and economic change, the formation of the custom union Zollverein and the freedom movements. The 1848 revolution followed the years of hardship “Hungerjahre” 1816/17 and 1846/47 challenged the Ancient Regime. In 1862 the guild regulation was abolished, commercial law was liberalised and the first workers associations were formed a year later. Schulze-Delitsch has recently been described as a leftish liberal at the exhibition about the German Labour Movement in Mannheim’s Technomuseum (2013), but was placed more central with publications under the hospice of the Friedrich Naumann Stiftung. During his life (1808-1883) he became the founder of the cooperatives and various forms of associations. Schulze-Delitsch placed the main emphasis on self-help to deflect the danger that the industrialisation posed to small and medium sized companies. It will be shown that liberalism was used as a counter agent in particular for the craft sector which later developed into a new organisation of work, namely workers’ associations. The relevance of social policy was acknowledged but Schulze-Delitsch did not seek the active intervention of the government, instead self-help was seen as creative and reparative forms. The paper places Schulze-Delitsch into the spectrum of liberal thinkers and illustrates his position with regards to trade unions, wage funds and social utopia. He has been a central figure in integrating various directions of liberalism at his time. Particular attention will be paid to the position of Schulze-Delitsch as a member of the Volkswirtschaftlicher Kongress and his opposition to the Verein fuer Socialpolitik.

---

\* Richmond University. The American International University in London, [spanges@richmond.ac.uk](mailto:spanges@richmond.ac.uk).

## Challenges in the History of Public Economics

*Richard Sturn* \*\*

The history of Public Economics deals with a vast range of issues including philosophical speculations regarding the nature, purpose and legitimacy of the state as well as down-to-the-earth issues of an applied subject, including institutional details and issues such as the legal definition of the base of a particular tax. Its multi-dimensionality renders Public Economics a challenging field of the history of economic thought. We may try to integrate all its sub-currents and issues within a grandiose Whig-story of progress in Public Economics. According to the main motive of this story, progress occurs as everything relevant known by earlier generations as is known by more recent generations of theorists – and something more. A shorthand version of that view as applied to Public Economics would read as follows: after having left behind the early and rude state of the pre-history of Public Finance that was characterized by

- the diversity of national strands and
- Public finance “as an art”, based on a mixture of fragmentary economic insights, cooking recipes, rules of public accounting, “principles” and “laws” lacking systematic integration (e.g. the four principles of taxation as summarized by Smith, the leave-them-as-you-find-them rule, or Wagner’s law of increasing relative importance of the public sector), supplemented by philosophical speculation regarding the purpose of government or the nature of the state, scientific Public Economics became established as a part of globalized and cosmopolitan modern economics.

In his Palgrave entry on Public Economics, Serge Kolm calls the subject “for many reasons the most paradoxical field of economics”. In the present paper, certain characteristics of Public Economics (somehow related to the paradoxical aspects pointed out by Kolm) are discussed which shed some doubt at the Whig-story of progress. A cluster of characteristics and specificities can be identified which renders progress in Public Economics combinatorial and conceptual to an extraordinary degree. Moreover, those specificities related to certain non-linearities of development and the specific role of national traditions and intellectual environments (such as the Middle European emigration of economists to the US in the second quarter of the 20th century) where it came to a crossing of traditions.

---

\* University of Graz, richard.sturn@uni-graz.at.

## Consumer's surplus for consumers with incoherent preferences

*Robert Sugden* \*\*

I argue that consumer's surplus is a meaningful concept even if (as the findings of behavioural economics suggest is often the case) consumers do not act on coherent preferences. Provided that, in relation to a given transaction at a given time, a consumer prefers to pay less rather than more, the surplus she receives from the transaction is well-defined. Thus, many standard forms of normative economics and cost-benefit analysis remain feasible even if individuals lack coherent preferences. However, the standard interpretation of normative economics, which uses preference-satisfaction as a normative criterion, can no longer be used. I propose an alternative interpretation, which allows individuals to approve the market as an institution that creates surplus. I draw parallels between this understanding of normative economics and the work of Cournot and Dupuit, who developed sophisticated forms of microeconomic analysis without making strong assumptions about individual rationality.

---

\* University of East Anglia, r.sugden@uea.ac.uk.

## Heterogenesis of Ends: Herbert Spencer and the Italian economists

*Claudia Sunna and Manuela Mosca* \*\*

The influence of Spencer's political thought is now generating a good deal of analysis; and his contribution to evolutionist philosophy, to pedagogy, ethics, and anthropology, is also being studied. There has been much less investigation into the influence of Spencer's theoretical work on economic thought. The aim of this paper is to highlight the importance of Spencer's theories, in particular his theory of evolution and progress, for the thought of Maffeo Pantaleoni (1857-1924) and Francesco Saverio Nitti (1868-1953). These two very representative Italian scholars, both belonging to the liberal-radical political area, were nevertheless on opposite fronts about both economic methodology and the issue of government intervention in the economy. However, they both found their divergent inspiration in Spencer. This paper analyses the way in which, at the turn of the 19th Century, Spencer's theory was discussed and interpreted by two emblematic figures of the Italian economic thought. It also explains how, from that same theory, two diametrically opposed visions and perspectives on social development could arise.

---

\*       Università del Salento, [claudia.sunna@unisalento.it](mailto:claudia.sunna@unisalento.it); and Università del Salento; [manuela.mosca@unisalento.it](mailto:manuela.mosca@unisalento.it).

## The Walrasian conception of the social economy: a state of persistent confusion

*Sophie Swaton and Roberto Baranzini\*\**

References to Walras, Gide or Proudhon are emblematic when one researches a common filiation in the French associationist current of the 19th century. For theorists of contemporary social economy, the challenge is primarily to find the core founding values or “cardinal values” (Draperi 2007) that give life to emerging practices in social economy. In this process of searching for a common theoretical basis, one can read the need to explain the existence of a new kind of economy that many authors call “alternative” (Jeantet 2008). And economics relations here are not supposed to be explained by mobilizing selfish and calculating individuals. Indeed, cooperation and collective entrepreneurship, often presented as the opposite of homo oeconomicus, are invoked to characterize the so-called social economy.

Our communication deals with the reference to Walras and the filiation claimed in order to justify an alternative economy all the more invoked as Walras’s general equilibrium is interpreted as the formalized and rigorous version of Adam Smith metaphor of the invisible hand.

However, Walras conception of social economy is very specific, very distant and sometimes quite opposite to the mimetic use of the definition formulated by the associationist filiation. This communication aims to clarify the definition of the social economy as understood by Walras in order to avoid misunderstandings, in particular considering the literature on popular associations as belonging to social economy whereas for Walras it belongs to applied economics. Precisely, this fact is not trivial, as we will explain it. We also show that the juxtaposition between Gide and Walras results from a superficial reading of the latter.

The communication is organised around three points. We first begin by focusing on the context of social economy in the 19th century (point 1). Then we present Walras conception of social economy (point 2) that really contrasts with Gide’s own conception (point 3).

---

\* CWP - IEPI - University of Lausanne, [sophie.swaton@unil.ch](mailto:sophie.swaton@unil.ch); and CWP - IEPI - University of Lausanne; [roberto.baranzini@unil.ch](mailto:roberto.baranzini@unil.ch).

## Ricardo coming to Japan (from the interwar period studies)

*Susumu Takenaga*<sup>\*\*</sup>

After the Meiji restoration (1868), in order to catch up in a short time with the advanced European and American countries, Japan eagerly tried to introduce everything from them, including naturally the Western economic thought. In this wide general stream Ricardo's works became known to a small part of the Japanese scholars as early as during the years of late 19th century. But in this first phase Ricardo's economic thought was introduced mainly via the secondary Western literature at that time and of a very fragmentary character.

It was only from about the year 1920, i.e. the late Taisho era after the first World War and Russian revolution as one of its most important consequences, that Ricardo became studied directly on the reading of his original texts. As he was one of the most advanced English representative economist, his economic thought appeared to the scholars and government officials of Japan, a backward and late coming capitalist country, to have but little to do with its modernisation process. In this context, Ricardo's economic thought was not introduced as having some relations with its development as a new Asian capitalist power, which is in marked contrast with the introduction of Smith's thought in Japan e.g., beginning from the early times of Meiji era with repeated translations of *Wealth of Nations*.

Very probably because of its nature, Ricardo's economic thought became an object of serious studies rather late in comparison with other major thinkers figuring in the history of economic thought. Studies of his writings were rather in relation to the introduction of Marx and Marxism after the 1920's, made under the influence of the Russian revolution. Thus, from the beginning Ricardo was read and interpreted in the fierce debates about Marx's economic thought.

In my paper I will examine the Ricardo studies carried out in Japan from 1920 and the end of the 1930's, time of the outbreak of the Second World War, when even the studies of classical economics became difficult, not to mention the Marx(ist) studies. I will try to extract from these studies, preceding the publication of the *Works* by Sraffa, the elements which may be regarded interesting even today and not necessarily under the influence of Marx's reading, remaining wholly unknown to the Ricardo studies carried out outside Japan. I will present and examine the related works by Fukuda, Kawakami, Koizumi, Hori, Mori, Maide.

---

\* Daitobunka University, takenaga@qa2.so-net.ne.jp.



## Gino Borgatta and fascist economic autarky

*Luca Tedesco*<sup>\*\*</sup>

With the speech given on March 23, 1936 to the second National Assembly of the Corporations, Mussolini formally introduced autarkic economic policy.

The autarkic issue provoked intense scientific debate in Italy in the Italian press and, in particular, in the <<Giornale degli economisti>>, the most prestigious economic journal of the time. What is more, the autarkic issue constituted a turning point for a generation of economists, who, in the years of the first Italian industrial take-off at the end of the nineteenth century, had defended free trade as maximizing production levels according to the traditional Ricardian theory of Comparative Advantage. In other words, they partially revised their previous theoretical approach, trying now to reconcile free trade with autarky.

Here we intend to consider in particular the analysis of autarky made by the economist Gino Borgatta, a former pupil of Luigi Einaudi and Vilfredo Pareto and among the most representative figures of this evolution from free trade to autarky.

Borgatta had already distinguished himself for his studies on public finance and for being one of the main leaders of the Free Trade League, founded in 1912.

Then, from the mid- twenties he becomes a consultant for the Ministry of Finance and the National Institute of Corporate Finance.

In his new role as opinion maker of the Fascist regime, unlike in the past, he no longer questions the political objectives pursued by the government.

Taking these as given, now he puts forward more coherent economic policies to achieve these goals. However, although Borgatta supports autarky, he does not believe that autarkic policies are consistent with self-sufficiency in the production of all the goods required by the internal market, that is the creation of a completely closed trading system. .

Borgatta, in fact, believed that the changing economic conditions of the Thirties, in other words the collapse of the gold standard and proliferation of trade barriers, might make less and less plausible the Ricardian theory of Comparative Advantage because this theory did not address the possibility that in time the costs of factors of production could change (thanks for example to the development of technology).

The goal of autarkic policy was then to move from a system of comparative advantage to another that would allow a State not to import anymore goods and services for which there was inelastic demand, as they were essential in the event of a war or an economic embargo, but to import those for which there was elastic demand.

---

\* Roma Tre University, [luca.tedesco@uniroma3.it](mailto:luca.tedesco@uniroma3.it).

## **Multiple Purposes, Loose Ends: The Stabilization of the Expression Human Capital (1900-1964)**

*Pedro Teixeira* \*\*

The use of the expression “human capital” has a long pedigree in the history economics. However, since its early uses by people such as William Petty, Adam Smith, or Stuart Mill there was a kind of ambivalence and the expression was hardly used among economists until mid-twentieth century. The main published sources of the first decades of the twentieth century confirm its almost complete absence from economic debates and a variety of different contents for that expression. In this text we recover those various uses of the expression human capital and show that although the subject was not completely ignored during that period, it was discussed in very different and hardly related contexts and that this variety of contexts in which the concept was used meant that human capital (or the economic value of education) had different meanings. Then, in the post WWII period the situation would change. There was an increasing interest of some economists in using the expression human capital and in stabilizing its meaning and content, a process which would be consolidated in the period between 1955 and 1964 through the influence of the leading authors that developed modern human capital theory. Although these authors considered that the expression human capital could contribute to the explanation of various aspects of economics, its content and analytical framework had to be standardized and consolidated. The text analyses the slow and erratic process of stabilisation of the concept “human capital” and the role played by T. W. Schultz, Jacob Mincer and Gary Becker in eventually overcoming those multiple meanings.

---

\* CIPES & U.PORTO, pedrotx@fep.up.pt.

## Disparaging liberal economics in 19th century Greece: The case of “The economist’s duck”

*Nicholas Theocarakis and Michalis Psalidopoulos\*\**

In 1866 a Greek author under the nom de plume Fouram, wrote a short stage comedy entitled “The Economist’s Duck”. In this rather crude and artless play a liberal economist, a follower of Adam Smith and J.-B. Say, is lampooned as attempting to show that his duck can subsist without food by using the teachings of economics. The duck naturally dies and the economist – and his profession – is denounced as a fraud. We have located the play, translated and published it. We discuss the possible authorship of the play and attribute it to Konstantinos Ramfos (1796-1871) a Greek civil servant and politician. We put the play in its historical context and we use it in order to shed light on the public perception of liberal economics in 19th century Greece. We relate our findings to research on the appearance, perception and criticism of economists and economics.

---

\* Dept of Economics, National and Kapodistrian University of Athens, [ntheocar@econ.uoa.gr](mailto:ntheocar@econ.uoa.gr); and Dept. of Economics, National and Kapodistrian University of Athens, [michalis.psalidopoulos@tufts.edu](mailto:michalis.psalidopoulos@tufts.edu).

## Classical Economics and the Question of Effective Demand

*Alex Thomas*<sup>\*\*</sup>

The principle of effective demand was independently discovered by Kalecki (1933) and Keynes (1936). This simultaneous discovery is all the more interesting given their very distinct and different intellectual backgrounds. From my historical investigation, I find a strong thread running all the way from Cantillon (1755) and other classical economists to Marx which ascribes an important role for consumption demand as a determinant of economic growth. Rosa Luxemburg, working on Marx's analytical framework, poses what I call 'the Keynes question': where does the continuous growth in demand which would validate the growth in supply come from? It is therefore Luxemburg's theory of capital accumulation which acts as the bridge between classical economists, Marx and Kalecki. Thus, I find a strong case for arguing that the problem of demand-deficiency – or equivalently, the question of aggregate demand sufficiency – organically grew out of classical economics.

---

\* University of Sydney, alex.thomas@sydney.edu.au.

## Menger's Exclusion: The reason for him to be non-Walrasian

*Shigeki Tomo*<sup>\*\*</sup>

The aim of this paper is to revise an authorized interpretation on Menger as non-Walrasian, which was presented by Negishi Takashi in his famous 1985 book entitled *Economic theories in a non-Walrasian tradition*. Fundamentally supporting Negishi's non-Walrasian understanding of Menger, my revision comes to show much clearer evidence rather than Menger's conception of salability (*Absatzfähigkeit*), which Negishi saw as the key identifier of Menger as non-Walrasian: Menger's positive inclusion of imperfectly competitive markets with leftover of commodities in his economic theory.

But Menger did not become non-Walrasian in Chapter 7 on commodity where the salability of commodity first appears in his *Grundsätze*. Nor did he see 100% salability of the commodity that is transacted even in perfectly competitive market. Early as Chapter 5 on Price, Menger underlined the non-Walrasian essence of perfect competition playing the decisive role in the determination of equilibrium price. Of course, Menger introduced in his model of horse fairs in Ch 5 the Walrasian transaction rule of  $S=D$  for the determination of equilibrium price and showed a mere interval (marginal pairs named by Böhm-Bawerk) within which equilibrium price is settled. But the lack of uniqueness of equilibrium price in Menger's model of horse fairs should not be understood as Menger's characterization of non-Walrasian.

What Menger as non-Walrasian wanted to emphasize in his horse fair of Ch 5 is the exclusion phenomena always taking place even in the perfectly free competitive markets. There always exist those among market participants who failed in reaching their transactions (purchases or sales) due to their asking or bidding prices. What is more, if the participants excluded from the actual transaction at a market session adjusted their asking or bidding price to the previous equilibrium price, there must be no guarantee for them to achieve their transactions at the next session. A market equilibrium price is always exclusively applied to the transaction of non-excluded participants, and absolutely never guarantee them to be able to resale it at will. These daily observed phenomena of exclusion of free competitive market tell us that at any competitive market equilibrium price we cannot purchase or sell the amounts as much as wanted.

The major purpose of Menger's emphasis would be to remain subjectivist even in understanding market equilibrium price. As a result, he concluded to exclude the objectiveness of market price from his economic theory,\* and necessarily stopped elaborating any macroeconomic theory of distribution because of the missing of objective value standard for evaluating the national dividend to be distributed.

\*See my chapter 7 'Böhm-Bawerk's objectivism beyond Menger's subjectivism' in Yagi & Ikeda ed. (2012) *Subjectivism and Objectivism in the History of Economic Thought*

---

\* Kyoto-Sangyo University, [vgpstomo@gmail.com](mailto:vgpstomo@gmail.com).

## Some International Aspects of Business Cycles (and Structural Change): Neisser, Haberler and Modern Open Economy Macroeconomics

*Hans-Michael Trautwein\*\**

Despite the transnational character of the Great Depression, there are very few works in the inter-war literature that deal in depth with the propagation of business cycles across national borders, and even fewer that take the border-transcending structural effects of depressions into account. Two notable exceptions are Hans Neisser's *Some International Aspects of the Business Cycle* (1936) and chapter 12 in Gottfried Haberler's *Prosperity and Depression* (1937), which carries the heading "International Aspects of Business Cycles".

Neisser's book was published by the University of Pennsylvania Press in 1936, when Neisser worked at the Wharton School after his escape from Nazi Germany. It reflects Neisser's background in the economic thinking of the Kiel School, blending classical perspectives on the long-term dynamics of capital accumulation, technical progress, output growth and (un)employment with his specific structural approach to the quantity theory of money and empirical research on international channels of the transmission of real and monetary impulses (followed up after the Second World War by Neisser and Franco Modigliani in *National Incomes and International Trade*, 1953).

Part II of Haberler's *Prosperity and Depression*, the central part of the book, is designed as a synthetic exposition of the most relevant business cycles theories of the time (described in a survey in part I). Chapters 9 – 11 contain indeed an attempt at finding a consensus view in which the influences of different theories are clearly traceable by key concepts and references. The last chapter in part II, which deals with the international aspects of business cycles, is different. It appears to be a rather independent analysis of the role that transport costs, market-inherent and political restrictions of capital mobility as well as different exchange-rate regimes play in the cross-border spreading of cyclical movements.

This paper presents and analyses the different approaches by Neisser and Haberler in a two-stage comparison. At the first stage the two approaches are compared with each other. At the second stage they are compared with the actual state of open economy macroeconomics. As Haberler's account accentuates the role of transport costs, capital flows and monetary policies, it is used as a catalogue of criteria for checking what modern attempts to link international trade and finance have got (back) in sight and what they have achieved, whereas Neisser's approach serves to identify what the moderns have lost out of sight.

---

\* University of Oldenburg, michael.trautwein@uni-oldenburg.de.

## Central banks and democracy. Words as attractors

*Gianfranco Tusset and Francesco Cendron\*\**

In an analysis of modern central banks, at least three areas of study can be identified: their governance, their function as supervisor agencies, and their function as the parties responsible for monetary policy. These three areas are interconnected, but they can be investigated separately. This programme seeks to provide an in-depth review of the first, the central banks' governance, aiming to single out all those features that shape "democracy" as a crucial issue of central banking. We are interested not in a formal concept of democracy, which would bring us to examine the national central bank in relation to its parliament or political power, but in the substantive concept of democracy emerging from the fact that central banks are progressively concerned about their relationship with the general public. Today, central banks react directly to public opinion. Consequently, we will explore a many-sided concept of democracy by examining those aspects of central banks' governance touching the democratic sphere, i.e., independence, accountability, transparency, and credibility. Although these are typically themes of governance, they are also interesting to economists in that all these issues have a strong economic meaning that makes governance a full economic component of the central banks' activity. In our discussion of these topics, we aim to keep theory and discourse together. We intend to explore the theoretical issues explaining and guiding central bank's policies even as we investigate central banks' positions as they have been concretely presented by the bankers themselves. To this end, we chose to examine the speeches of central bankers from 1997 to 2013, attempting to grasp how the position of central banks has been changing with regard to the above issues of governance and democracy. Our analysis will be both textual and theoretical.

To accomplish this objective, first we need type of knowledge involving familiarity with both theoretical and discursive literature. Although the thought at stake here is recent, we think that the history of economic thought as discipline can deal with this type of issues, almost because the historian is trained to handle a wide variety of economic texts, from analytical to less formal and discursive ones.

---

\* University of Padua, gianfranco.tusset@unipd.it.; and University of Padua, f.cendron@yahoo.it.

## Simple Economic Fictions in Daniel Defoe and Richard Cantillon

*Richard van den Berg*<sup>\*\*</sup>

The Irish/French trader, banker and speculator Richard Cantillon (1687?-1734) was one of the first authors to employ the method of using highly simplified cases as starting points for economic theorizing. Whilst prominent later students of the *Essai*, like Schumpeter and Hayek, have singled out Cantillon's approach for praise, we have an imperfect understanding of how and why this man of practice was inspired to adopt his abstracting, 'academic' approach to economic reasoning.

In this paper it is argued that the choice of particular simple economic fictions, far from being self-evident, requires a creative effort of composition. A new understanding of how Cantillon developed some of his simple economic fictions can be gained from a comparison with the writings of the leading novelist of his time, Daniel Defoe (c.1660-1731). It is shown that there are clear parallels between passages in part one of Defoe's *A Plan of the English Commerce* (1728) and Cantillon's *Essay on the Nature of Trade in General*, written soon after. In particular, Defoe's fictionalised accounts of a) the origin and growth of human settlements and b) of the contrast between social relations in feudal rural estates and in commercialised rural communities, show important similarities with the way Cantillon sets up his analysis.

To some extent the argument of the paper is simply a matter of literary dependence. For this reason textual evidence is presented to demonstrate that Cantillon did very probably borrow elements from Defoe's *Plan*. Perhaps more interesting, though, is what the connection between Defoe and Cantillon tells us about the process of creating economic fictions. With regards to Defoe's conceptualisation of the growth of human settlements, it is shown that this author took successive steps in his earlier writings towards fictionalising an original settlement project in order to develop a kind of economic parable. Cantillon in turn seems to be recasting Defoe's ideas for his own theoretical purposes, retaining only their 'natural' essentials and infusing them with more overt economic reasoning. Cantillon's original effort in the *Essay* was to develop a new kind of economic discourse, which was successful to such an extent that it is now often considered 'the first treatise on economics'.

---

\* Kingston University, [r.van-den-berg@kingston.ac.uk](mailto:r.van-den-berg@kingston.ac.uk).



## A critical overview on the work of Prof. Ota Sik

*Filip Vancura* \*\*

The aim of the paper is a critical reflection on the various economic concepts of Prof. Ota Sik, leading figure in preparations of economic reform in Czechoslovakia in the 1960s and the author of the Third Way concept since his first professional steps inspired by Stalinist command economy in the early 1950s to the economic research on self-interest and strategic planning in the early 1990s.

Ota Sik was one of the most remarkable Czech economists in the 20th century. The development of his economic thinking was unique for his zero economic background gained from any institutionalized authority. From the beginning to the end of his active life, his understanding of economic theories was affected by the principle of a self-study. Surprisingly, this potential weakness was in fact the merit in his critical thinking. Thanks of his extraordinary sense for critical reasoning and the role of the government member responsible for the economic reform in Czechoslovakia in 1968, he was able to investigate actual economic knowledge and judge its relevance with respect to real life experience. With his open mind, Ota Sik developed his argumentation from the perspective of an enthusiastic communist after the Second World War over a reform socialist in the 1960s to a critical liberalist in the early 1990s. At the end of his active age he criticized some aspects of the economic transformation in Czechoslovakia derived by Vaclav Klaus. The common trait for all his development stages was the ambition to point at the underlying aspects of economic system and its impact on the social environment.

Prof. Ota Sik became known mainly as a reform socialist and the author of the unique Third Way economic concept taking the best from capitalism and socialism. His lifelong evolution in economic thinking has never been systematically analyzed so far. Some of his books and many other writings, especially from the later period of his life, have been kept in the family library and they were never looked into. Thanks to the willingness of his family, all author's texts will be available for the research. Another key asset of the research is the collaboration with Czech economists from the Charles University, who were preparing the economic reform in Czechoslovakia in the 1960s with Prof. Sik and also with professors from University of St. Gallen, where Ota Sik emigrated in 1968 to continue in his research of economic systems.

---

\* University of St.Gallen, [filip.vancura@gmail.com](mailto:filip.vancura@gmail.com).

## **Adam Smith and Rousseau's critique of commercial society: towards the darker side of the desire for distinction**

*Rudi Verburg*<sup>\*\*</sup>

Smith shared much of Rousseau's view on the motivational forces in commercial society but, building from ideas and concepts he found in Hume, he denied their increasingly destructive role. In later work, however, Smith was to extend, revise and qualify his position. The paper traces the evolution of Smith's thought from the letter to the editors of the *Edinburgh Review*, the Early Draft of the WN and TMS 1 to the TMS 2, the WN, and TMS 6 to show how he kept revising his answer to Rousseau's challenges. Although he never shared Rousseau's condemnation, Smith grew more sympathetic to Rousseau's critique of commercial society. This changing stance on commercial society explains the variety of views on the characterization of Smith's attitude to Rousseau's views, ranging from dismissive and ambivalent to sympathetic.

---

\* Erasmus University Rotterdam, [verburg@eshcc.eur.nl](mailto:verburg@eshcc.eur.nl).

## **The role of firms in Irving Fisher’s analysis of the economic dynamics in the Purchasing Power of Money (1911)**

*Adrien Vila* \*\*

In this chapter 4 of the Purchasing Power of Money entitled “Disturbance of Equation and of Purchasing Power during Transition Periods”, Fisher examines the short-term effects of a His goal is to demonstrate that the credit doesn’t disturb the long-term effects of the quantity theory of money. Therefore, he elaborates a theory of credit cycles in which he explains how the banking credit has only transitory effects. However, this theory implies an implicit assumption about the sensibility of the credit demand. In this paper, we show that, under the Fisher’s assumptions, the prices’ dynamic can converge without causing a banking liquidity crisis (I), that the converge is such as the quantity theory of money is achieved (II) and that the instability economic has an hyperinflationist nature (III).

---

\* Ecole des Hautes Etudes en Sciences Sociales (EHESS), [adrien.vila@ehess.fr](mailto:adrien.vila@ehess.fr).

## Manuel Joaquim Rebelo: Theories About Goods and Labour Value, and the Liberty of Economic Agents

*Bruno Vilagra* \*\*

Manuel Joaquim Rebelo, a Lisbon Merchant, wrote in 1795 *Political Economy* in which he tackled matters related to the functioning of economics that, according to him, should be understood based on a single guiding principle. He developed theoretically themes related to the liberty of economic agents, social division of labour, goods value and the role of the market in the economy and society.

This paper aims to retrieve Manuel Joaquim Rebelo's analysis highlighting its originality and modernity within the frames of Portuguese economic thought, demonstrating approximations and distances of his ideas on Luso-Brazilian writings on the matter, especially the texts which are a part of *Economic Memories*, particularly the theories of the Portuguese merchant about goods and labour value and the liberty of economic agents.

---

\* University of São Paulo, [bruno.vilagra@gmail.com](mailto:bruno.vilagra@gmail.com).

## Vanity, trinkets, and corn: some smithian difficulties

*Daniel Diatkine and Benoît Walraevens\*\**

The paper will focus on Smith's account of luxury. Our aim is twofold. First, it is to shed light on the ambiguities and intricacies of Smith's conception of luxury. We will discuss Aspromourgos (2009, 186) suggestive interpretation of this point. Second, it is to emphasize how the Theory of Moral Sentiments and the Wealth of Nations (not to mention his other writings) provide complementary analysis of luxury. The first part of the paper focuses on luxury in TMS. Smith there seems to provide an ambiguous account of luxury. He first tends to despise luxury goods, seen as "trinkets", "toys", or "baubles" whose "real utility" for their possessors is close to zero. Yet, he abstains from providing a moral condemnation of luxury goods probably because they serve to gratify man's vanity and love of distinction, both being "so natural" to him. Wealth and power are the best means to get the sympathy, love and admiration of others. In his relentless quest for wealth and luxury, the poor man's son fails in getting the ease, enjoyment and happiness his imagination associates with the life of the rich and powerful. He is blinded by the love of systems. Yet Smith famously underlines that "it is well that nature imposes upon us in this manner. It is this deception which rouses and keeps in continual motion the industry of mankind... It is this which [has] entirely changed the whole face of the globe". The desire for wealth and luxury, prompted by vanity, serves higher purposes. The invisible hand is unveiled then to explain that the luxury of the rich provides the poor with their subsistence. The second part follows Smith's thoughts on luxury in WN. In that book he defines more explicitly two, unfixed categories of wage goods: necessities and conveniences. What were luxuries in the past become conveniences over time. This process is important as the first goal of the WN is to explain why "a workman, even of the lowest and poorest order, if he is frugal and industrious, may enjoy a greater share of the necessities and conveniences of life than it is possible for any savage to acquire." From this dynamic point of view, the clear cut sraffian distinction between basic and non-basic commodities is perhaps not so easy to grasp: the distinction between luxuries and conveniences is not given, but is the result of accumulation of capital. However, corn is certainly very close to basic commodity.

To conclude we will compare TMS and WN. In the former, the rich uses his surplus of corn to buy, à la Mandeville, luxuries (trinkets) produced by the poor. In the later the employer exchanges necessities and conveniences against capital produced by the worker. So the final issue is: why this difference between the two books?

---

\* University of Caen Lower Normandy, benoit.walraevens@unicaen.fr; University of Evry Val d'Essonne, diatkine@univ-evry.fr.

## The Economics of Ethics and the Ethics of Economics in Adam Smith

*Amos Witztum*<sup>\*\*</sup>

Smith is best known, of course, for his economics. However, his ethics was equally innovative and what is more to the point, the relationship between them was developed to a degree which has been rarely seen since. The innovative part of Smith's ethics is that he treats ethics as a social theory and applies to it the same reasoning he applies to economic analysis. Fundamentally, this form of reasoning is a combination of an empiricist-evolutionary approach combined with deductive reasoning. Consequently, Smith ethics is not really a theory about what is or is not morally good or right. Instead, it is a theory about how are these concepts being formed in society. From an exegetic point of view, this helps in explaining the dissonance between Smith the commentator and what he attributes to the practice of his days. We begin by exploring Smith's methodology and highlighting the significance of the notion of universals in his predominantly empiricist world. Based on Smith's rhetoric we identify the universal of social analysis: the pleasure of harmony which, I hasten to say has nothing to do with utilitarianism. Extrapolating from the way people form their moral opinion, Smith constructs the rationalist part of his 'model': the impartial spectator. However, in reality, human character interferes with the way we judge and one aspect of the corruption of moral sentiments is the interchangeability between, sympathy and utility (in the sense of the functioning of systems). The immediate outcome is evident as it suggests that in the world of economics interactions (the world of the WN), if people are indeed self-interested, it is possible that they will deem the system as morally good or just for the wrong reasons. The desirability of the competitive solution from a moral perspective becomes yet another aspect of nature's deceptions.

Applying his ethics to his economics perceived as a set of actions leads to the conclusion that the moral analysis of the economic system cannot be based entirely on whether the agents are of good or bad character. Nor can it be based on whether the outcome is unintentionally beneficial. Instead, the economic system is a system of actions where the relationship between intentions and outcomes are paramount. The nature of economic actions, therefore, relies to a great extent on the rationality of the agent. However, attempts at separating the domain of economic investigation by focusing on the pursuit of one's self-interest—irrespective of their other regarding dimension—may not be conducive to the ethical salvation of such a system. Paradoxically, it is the very same rationality embedded in prudence which may sink the morality of the system when there are unintended consequences. In other words, unintended consequences, in such a system, are neither a source of strength nor a safeguard against injustice.

---

\* London School of Economics, a.witztum@lse.ac.uk.

## Ordoliberals Facing Socio-Economic Crises

*Manuel Woersdoerfer*<sup>\*\*</sup>

The societal crisis of the present (Gesellschaftskrisis der Gegenwart) is defined by the Ordoliberals as a state of social ‘massification’ (Vermassung), proletarianization and disintegration accompanied by a far-reaching moral decadence, an ethical nihilism and a religious-spiritual vacuum. Apparently, all major spheres of the ‘life world’ are affected by the various crises appearances: the political sphere, the economic sphere, the cultural/religious sphere as well as the academic and scientific sphere. Following Eucken, Röpke and Rüstow, the present situation requires a religious-spiritual reformation, a re-Christianization and the creation of a new social way of life, which allows for overcoming the spiritual crisis and to fill the ethical-religious vacuum. It also requires a fundamentally new scientific methodology, a new way of economic-ethical thinking and a revolutionary new way of economic policy. That is, a third way between laissez faire paleo-liberalism on the one hand and totalitarian collectivism and socialism on the other hand is required – one which is closely linked with the model of a social market economy. The following paper analyses the ordoliberal crisis topic (and its crisis appearances at the politico-economic, cultural-religious and scientific levels). It becomes apparent that the crisis topic is one of THE central ordoliberal leitmotifs and at the same time argumentative starting point of German neoliberal economic ethics. The paper also evaluates the politico-economic implications and reform measures proposed by Ordoliberalism, its radical and revolutionary tendencies as well as its limits in a globalised world economy.

---

\* Goethe-University Frankfurt, woersdoerfer@wiwi.uni-frankfurt.de.

## Two disputes of methods, three constructivisms, and three liberalisms

*Vladimir Yefimov*<sup>\*\*</sup>

Dispute of methods, or Methodenstreit, between Gustave Schmoller and Carl Menger can be considered as a repetition of a similar dispute taking place more than two hundred years earlier between Robert Boyle and Thomas Hobbes. Schmoller-Menger dispute started soon after the beginning of the institutionalisation of experimentally oriented economics which happened with the creation in 1873 of the Verein für Sozialpolitik. Boyle-Hobbes dispute started in 1660, when the Royal Society of London had been founded, the cradle of the institution of science. The activities of both societies were similar in several respects: they represented efforts to collect data in the framework of experimental situations, working out of detailed reports and collective evaluation of obtained results. The reports of the Royal Society served to enlarge the number of witnesses of experiments and in this way “to make virtual witnessing a practical option for the validation of experimental performances” (Shapin and Schaffer, 1985, p. 69). Now, it is almost forgotten that Hobbes was not only a political philosopher but also a physicist. He criticised the experimental way of producing knowledge and he insisted on rationalist methods, as Menger also did. For Hobbes, as for Menger, the model of “science” was geometry, which “yielded irrefutable and incontestable knowledge” (Ibid., p. 100). On the contrary, the “the Royal Society advertises itself as a ‘union of eyes and hands’” (Ibid., p. 78). Boyle did win the dispute, Schmoller did loose. It happened for the following main reasons. The motto Nullius in Verba has become the rule at the basis of the institution of natural sciences, the most important feature of the scientific culture. From the very beginning activity of researchers according to this rule did not contradict interests of powerful groups of the society, and later such groups were even interested in the existence of this rule because of practical results. It did not occur in economics just because of the strong resistance of such groups to experimental social research. They saw much more danger than benefit for them in this type of research. On the contrary they were interested in abstract theoretical constructions justifying laissez-faire. This kind of constructions corresponded to deeply enrooted scholastic traditions of European universities to teach theology and linked with it philosophy.

### Reference

Shapin S. and S. Schaffer. *Leviathan and the Air-Pump. Hobbes, Boyle, and the Experimental Life*. Princeton University Press. 1985

---

\* Independent scholar, [vladimir.yefimov@wanadoo.fr](mailto:vladimir.yefimov@wanadoo.fr).



## Great Transformation to Simultaneous Determination System -The Turning Point of a View on Economics-

*Satoshi Yoshii\*\**

According to the investigation of Oxford Studies in the Price Mechanism (Hall and Hitch 1939), Lester (1946), Nihon University (1996) and the Bank of Japan (the central bank 2000), business enterprises determine commodities' prices as a full-cost price (70 percent is by a target costing, and 30 percent is by a full-cost price with fixed profit rate) rather than at the level of marginal cost = price. If these real phenomena are taken into consideration, it cannot be considered that the selling prices are unrelated to a production cost.

In the history of economics, classical economists had adopted the method of pricing from the production cost of a supply side. Why did a price begin to be governed by the laws of demand and supply (namely, simultaneous determination between quantity and a price) in the economics, and what kind of the circumstances were there about the transformation? Generally, it is said that the transformation is related to a rediscovery of the marginal utility of the 1870s (marginal revolution), but Hutchison (1972) states that classical economics had been collapsed itself before the rediscovery. Why economics rejected the production cost principle of classical economics after Smith and Ricardo? Therefore, the purpose of this paper is to find the "turning point" of pricing method, at the same time, the "turning point" of a view on economics too.

According to Schumpeter (1954), it is often said that the theoretical development about a pricing model by J. S. Mill, after Smith and Ricardo, is the history which completed the scrapping of Ricardo's central concept. Marshall (1876) and Schwarz (1972) identify Mill's pricing model about commodities which are absolutely limited in quantity as a demand-supply equilibrium theory. Moreover, it is generally said that there is the function of demand in Mill's system (Marshall 1876; Stigler 1955; Blaug 1962), but an existence of functional relationship between the quantity and a price cannot be acknowledged. Therefore, Mill's pricing model is not governed by the laws of simultaneous determination between quantity and a price. The term "equation" which Mill used in pricing of absolutely limited commodities has been misunderstood. Mill's system is not a demand-supply equilibrium theory, but rather as sequential process model with time, like Robinson (1953) and Leijonhufvud (1968). Firstly, this paper proves this point.

Then, why is J. S. Mill's system recognized as a demand-supply equilibrium theory? When F. Jenkin (1868; 1870) introduced the functions of demand and supply, and an expression by a graph into the British economics for the first time, he misconstrued Mill's system as the view which was almost identical to present-day microeconomics model. Additionally, Marshall (1879) who was very influenced by Jenkin misread Mill's reciprocal demand theory, and introduced into economics the theme about the research of an equilibrium and that stability condition. Mill's system itself had a cause of inducing misunderstanding and transformation of a view on economics, but the misreading by Jenkin and Marshall was the turning point of the great transformation of economics. Secondly, this paper proves this point.

---

\* Associate Professor of Faculty of Economics, Nagoya University of Commerce and Business,  
yoshii@nucba.ac.jp.

## A critical interpretation of the relation Pareto-Walras

*Alberto Zanni*<sup>\*\*</sup>

Being one of the authors involved in editing the critical edition of Pareto's Manual of Political Economy, the A. notices the recurrent presence of two issues that usually prevent a comprehensive interpretation of Pareto's theory: a) the lack of awareness of the readings done by Pareto during the twenty years that he spend in Tuscany before he met Pantaleoni (1890); b) the tendency to mix up Pareto's and Walras's economic thought (in this sense, a particular consideration will be devoted to Hick's point of view). During his explanation, the A. particularly highlights the limits of Pareto optimality in economics and the modernity of Pareto's departure from the pure and profitless economy suggested by Walras.

---

\* University of Florence, [alberto.zanni22@gmail.com](mailto:alberto.zanni22@gmail.com).

## **Business cycles, the financial crisis and growth: an essay on the failure of Lucas' modelling strategy**

*Abdallah Zouache*<sup>\*\*</sup>

Lucas has always defended a methodological convergence between business cycle theory and economic growth. One could consider that this strategy has been a success in the nineties when the dynamic general equilibrium stochastic models became the canonical models to analyse business cycles in the framework of the new neo-classical synthesis. Nonetheless, these models utilized in the main central banks have been unable to predict the financial crisis and even to propose efficient economic policies to deal with it. One explanation raised by economists is their lack of banking and financial sectors. Even if we agree with this weakness, this article will rather propose a detour via the Years of High Theory; and especially a detour via the works of Hayek, Keynes and Sraffa, to show that one main issue with these models deals with their methodological foundations.

---

\* University of Saint-Etienne, [zouache@univ-st-etienne.fr](mailto:zouache@univ-st-etienne.fr).