

RESEARCH IN THE HISTORY OF
ECONOMIC THOUGHT AND
METHODOLOGY

RESEARCH IN THE HISTORY OF ECONOMIC THOUGHT AND METHODOLOGY

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RESEARCH IN THE HISTORY OF ECONOMIC THOUGHT
AND METHODOLOGY VOLUME 37C

RESEARCH IN THE HISTORY OF ECONOMIC THOUGHT AND METHODOLOGY

**Including a Symposium on Robert
Heilbroner at 100**

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Edited by Luca Fiorito and Harald Hagemann

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INTRODUCTION

Volume 37C, the third and final volume of *Research in the History of Economic Thought and Methodology* to be published in 2019 features a symposium on the work of Robert Heilbroner on the occasion of his centenary. Former students and/or colleagues Luca Fiorito, Harald Hagemann, Edward Nell, and Steven Pressman share their reflections on the contributions of the influential New School economist and historian of economic thought, who passed away in 2005.

The volume also features a new essay by Samuel Hollander on “Karl Marx’s Evolutionary Credentials and the Marx–Mill Intellectual Relationship,” as well as Fiorito’s “Social Stratification, Hereditarianism, and Eugenics. A Harvard Tale,” an examination of the role that eugenicist thinking continued to play among Harvard economists well into the interwar period.

Finally, the current volume includes a new archival discovery from Maxime Desmarais-Tremblay and Marianne Johnson, namely Richard Musgrave’s reflections on Alvin Hansen and John Williams’ Fiscal Policy Seminar at Harvard, originally prepared for the 50th anniversary of the Seminar in 1988.

Luca Fiorito
Scott Scheall
Carlos Eduardo Suprinyak

The Editors of
Research in the History of Economic Thought and Methodology

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PART I
A SYMPOSIUM ON
ROBERT HEILBRONER AT 100

Edited by Luca Fiorito and Harald Hagemann

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INTRODUCTION TO A SYMPOSIUM ON ROBERT HEILBRONER AT 100

Luca Fiorito

In introducing a symposium on Robert Heilbroner – one of my great teachers – readers will forgive me if I indulge in some personal reminiscences.

I first encountered the name of Heilbroner in 1992 while I was a visiting scholar at Montclair State College in New Jersey. At the university bookstore I bumped into a used copy of *The Worldly Philosophers* and my attention was somehow drawn to a sentence which was printed on its back cover, stating that the book had sold more copies in the United States than any other work in economics, with the exception of Paul Samuelson's undergraduate textbook. At that time, I had just received my BA in economics and banking from the University of Siena, which did not include a course on the history of economic thought. I decided to buy the book. In the following days, I started reading it and was immediately captured by Heilbroner's accessible writing style and by the colorful details he provides about the lives of the otherwise faceless giants in the history of economics. What I found the most striking feature of his writing was his ability to lead readers through complex questions of political economy and public policy, bringing them again and again to the point where clarity takes hold.

Six years later, when I entered the PhD program in Economics at the New School for Social Research in New York – and when I had already chosen the history of American institutionalism as my main research interest – I had the privilege of meeting Robert Heilbroner personally. The very first thing I asked him, quite shyly, was to sign my copy of *The Worldly Philosophers*. I considered him responsible for having introduced me to the history of economic ideas. A few weeks later, I was in his office discussing my assignment for the course. "You do archival research at Columbia, don't you?" he asked. "Yes," I replied. "And what have you found so far?" he continued. "Well," I said, "I just found an interesting address by Edwin R. A. Seligman on some neglected authors prior to Adam

Including a Symposium on Robert Heilbroner at 100

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Smith.” He asked me for a transcription of that address, and he was so pleased by it that he accepted it as my final paper for the course. “But now you must submit it to HOPE,” he insisted. I did so, and “Seligman’s Curiosities of Early Economic Literature” (Fiorito, 2000) became my first publication in a major academic journal.

During my years as a student at the New School, Bob and I became “good friends” of a sort. After the first semester I was appointed teaching assistant for his history of economic thought course – a position which I held for four years – and once in a while I was asked to give seminars in this class on Veblen, Commons, Ayres, and, more generally, on issues concerning economic methodology.

In 1999 I helped organize an academic conference at the New School devoted to Heilbroner’s life and career. It was a big event. Participants included several of Bob’s Harvard fellows, such as Paul Samuelson, Robert Solow, and John Kenneth Galbraith. Bob presented a new edition – the seventh and last – of *The Worldly Philosophers* (Heilbroner [1999 (1953)]) to which he had added a final chapter with the rather ambiguous title of “The End of the World Philosophy?” Bob clearly intended to play on the dual meaning of the word “end”: *goal* and *termination*.

Warren Samuels, founding editor of *Research in the History of Economic Thought and Methodology*, was among the participants in the conference and I recall that I promised Warren that I would organize some form of tribute to Bob in the pages of *RHETM*. But, overwhelmed as I was by the duties of a graduate student, I failed to follow through at the time. Now, 20 years later and on the occasion of Bob’s centenary, I can finally honor that promise with the present symposium.

Each of these essays focuses on a different aspect of Bob’s legacy and, in many respects, they complement each other as pieces of a jigsaw.

The first chapter, by Harald Hageman, offers a novel and insightful analysis of the relationship between Heilbroner and his mentor, Adolph Lowe. In 1946 Heilbroner took Lowe’s course on the history of economic thought at the New School for Social Research and that class shaped his life permanently. As Bob recounted in his reminiscences (1992), “what Lowe conveyed was the idea of the economic process as a force imposing a powerful order – bestowing shape and impetus to the material activities of society. Classical political economy could thus be seen as a succession of attempts to explicate this process from (roughly) the mid-eighteenth to the mid-nineteenth centuries. Of special interest to myself, as a burgeoning student of the history of economic thought, was the way in which the investigators of different periods fastened on, or interpreted, different aspects of society as strategic for its evolution.”

Steve Pressman – another New School graduate – places Heilbroner within the American debate on government spending. Bob entered the arena in 1963 with *A Primer on Government Spending* (coauthored with his friend Peter L. Bernstein) (Heilbroner & Bernstein, 1963), a time when Keynes had made considerable headway in the economics profession. Pressman documents how Heilbroner supported running deficits in times of high unemployment, but wanted them to stem from government investment spending rather than borrowing to give money to the rich. On the other hand, Heilbroner was skeptical of

large deficits during times of full employment, but supported deficits from tax cuts that went to average workers and advocated for increasing spending during times of recession. This defense, Pressman argues, “came right out of Keynes.”

Edward J Nell – Bob’s colleague at the New School for more than four decades – is the author of the third chapter. Ed offers a friendly critical review of Bob’s views on capitalism. Heilbroner, he argues, largely confined his analysis to the real economy. “Heilbroner kept away from money – it was not fundamental in his view, nor was finance. What counted was the real side of the economy – production and technology, the application of science to the provisioning of society, a concern he inherited from his mentor, Adolph Lowe. Fundamental as this is, in retrospect, to focus on this exclusively might be considered missing the boat.” At the same time, Nell is more than willing to recognize Bob’s crucial contribution to the debate that, starting in the early 1970s, took shape at the New School, over capital, the central concept of capitalism. Ultimately, Nell tells us, “Heilbroner came more and more to appreciate and admire Marx, and often to see things the rest of us had missed, or see them more clearly. *Behind the Veil of Economics* (1988), and the *Nature and Logic of Capitalism* (1985) are fruits of this long, unorganized but vigorous discussion at the New School.”

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TWO WORLDLY PHILOSOPHERS: ROBERT HEILBRONER AND ADOLPH LOWE

Harald Hagemann

ABSTRACT

In his bestselling The Worldly Philosophers, Robert Heilbroner puts the focus on the visions and analyses of the great economic thinkers from Adam Smith to Joseph A. Schumpeter. Worldly philosophy is considered as a child of capitalism and worldly philosophers as system-builders addressing the long-run development of the economy and the society. This implies viewing the economy as historically and institutionally situated demanding a more interdisciplinary perspective and embedding economics in the social sciences. The article compares the work of Heilbroner and Adolph Lowe who was Heilbroner's main mentor. The focus is on their reflections on Smith and Schumpeter. Heilbroner considered Smith as the first worldly philosopher of whose Wealth of Nations a German translation was published already in 1776 in Stuttgart, Lowe's native city. Lowe's early work on business cycles was strongly inspired by Marx and Schumpeter's emphasis on the role of capital accumulation and technical progress as well as Schumpeter's distinction between statics and dynamics. Lowe was forced to emigrate from Nazi Germany in spring 1933, only half a year after Schumpeter's move to Harvard where Heilbroner studied in the late 1930s when Schumpeter enjoyed making provocative statements on the Great Depression which was still not yet overcome.

Keywords: Adam Smith; division of labor; Great Depression; machinery problem; Joseph Schumpeter; worldly philosophers

INTRODUCTION

Robert Heilbroner's major contributions to economics have been in the area of the history of economic thought, and it has been his bestselling *The Worldly Philosophers: The Lives, Times and Ideas of the Great Economic Thinkers* that has exerted the greatest impact. The focus is on the visions and analytical systems of major economists stretching from leading classical political economists such as Adam Smith, David Ricardo, and Karl Marx as the critical end to John Maynard Keynes and Joseph Alois Schumpeter, who were both born in the same year that Marx died and had the greatest influence on economics in the twentieth century. Worldly philosophy is considered as a child of capitalism and worldly philosophers as system builders whose great achievement consists of their ability to formulate longer-term scenarios and to deduce the direction in which society is moving. This implies viewing the economy as historically and institutionally situated, demanding a more interdisciplinary perspective and contrasts sharply with modern mainstream thinking in which a narrower conceived theoretical approach aims at the solving of a particular applied problem. Whereas Schumpeter still had asked the "big questions" such as "Can Capitalism survive?" or "Can Socialism work?" Heilbroner diagnoses the "End of the Worldly Philosophy" in modern economics as the consequence of pure economic analysis but still hopes for the rise of "a reborn worldly philosophy" which develops "a new awareness of the need for, and the possibilities of, socially as well as economically successful capitalism (Heilbroner, [1953] 1999, pp. 320–321)."

Sometime after World War II, Heilbroner registered for graduate studies at the New School for Social Research in New York. One of his first courses was "Theories of Economic Growth," a class given by Adolph Lowe, who was an outstanding teacher. Heilbroner soon became a disciple of Lowe¹ who became Heilbroner's main mentor. In the special issue of *Social Research* (71(2), 2004) celebrating "The Worldly Philosophers" at Fifty, Peter L. Bernstein, Heilbroner's fellow student from Harvard, pointed out:

Adolph had two lovely daughters but no son. So there was chemistry in the relationship that ran deeper even than the power of Adolph's economic analysis and creativity. And out of that relationship came Bob's decision to earn a PhD and follow in Adolph's footsteps as an exciting and inspiring teacher of economics. Bernstein (2004, p. 424)

It is now well known and has been pointed out by Heilbroner in the preface to the seventh and final edition of his *Worldly Philosophers* (1999, pp. 7–8) that the mentor initially had strongly opposed his student writing *The Worldly Philosophers* as a book on the history of the evolution of economic thought for a wider public audience. However, after reading the first three chapters of the manuscript Lowe reversed his judgment from "That you cannot do!" to "That you *must* do!" Lowe himself had been classified by Kenneth Boulding (1965, p. 139) in the latter's review article of *On Economic Knowledge* as an "economic philosopher" in whose work one finds "a good deal of wisdom."²

Since his first publication, the investigation on *Unemployment and Criminality* (1914), Lowe had always made a strong plea for cooperation in the social sciences,