

# HISTORY OF ECONOMIC IDEAS



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# HISTORY OF ECONOMIC IDEAS

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## BOOK REVIEWS



GARETH DALE, *Karl Polanyi. A Life on the Left*, New York, Columbia University Press, 2016, pp. 400.

THIS is a very well-written biography of one of the liveliest, most versatile, and exceptionally polymath scholars of the twentieth century: Karl Polanyi, born Pollacsek (1886-1964). During his lifetime, Polanyi has gone through *Finis Austriae*, a cultural, before than political, process of transformation of Eastern Europe; the two world wars as well as the frantic interwar period; and the cold war.

Born in Vienna from a well-off Jewish family, grown up in Budapest, he and his siblings were assimilated to Magyar social culture and converted to Christianity by their parents. This process was very common among Jewish *bourgeoisies* who lived during the last decades of the Austrian-Hungarian empire: Lukács, von Neumann, Bauer (Bela Balaz), Jazsi, to name but a few, went through the same process. Reasons were complex, and have been described by a massive literature: along with the urgency to get actually involved in the political and cultural transformation of the time as part of a national elite, middle-class Jews in Central and East Europe (including Russia) were, consciously or unconsciously, fighting for their emancipation from the figurative and psychological, in most of the cases, shtetl's isolationism. Not by chance, emancipatory movements such as socialism, liberalism and proto-feminism, which fought against the rigid and conservative social system of the time, counted on many Jews, men and women, coming from Volga to Dnepr and Danau. This has been a transdisciplinary progression which involved art as well: musicians like Mahler, Berg, and Schoenberg broke the classical schemata and introduced a revolutionary way, not merely technical, of getting emotions into music; artists of the *Wiener Sezession*, i.e. Klimt, Schiele, and Kokoschka, claimed that freedom is the real nature of art, and rejected the traditional conservatism of *Künstlerhaus Wien*.

Embedded in this cultural milieu, Polanyi can be rightly regarded as a child of his time; indeed, especially during the last phase of his life, when he was working on the complex meaning of freedom in postwar society, he has been ahead of his time. He was authentically Jew and Christian; Austrian and Magyar; British and American. Influenced by his father's traditional culture, as well as by his lively mother, a Russian active nadorik in exile, he spent his youth being deeply involved into political activism in Budapest, as a member of the Galilei circle, an association for the promotion of socialism amongst lower-middle class. Back in Vienna after the First World War, Polanyi became an Austrian economist, that is to say, he was influenced by Menger's thought, but he was also involved in the debate on planned economy against Mises, as well as engaged as a journalist for the *Der Österreichische Volkswirt*.

As a refugee in London during the 1930s along with his wife and daughter, he devoted himself to the interpretation of fascism and to the building of a Christian association, whose intent was to mix up the revolutionary doctrines of Jesus and the young Marx. Fascinated by guildism, he worked as a teacher in a program for adult education promoted by G. D. H. Cole. As a British naturalized citizen, during the Second World War he spent three years as a fellow researcher at the Bennington College in Vermont (USA), where he wrote his well-known book *The Great Transformation*, published in 1944. Back in the United States after the end of the war, he got a position at Columbia University, in New York: a passionate teacher, as many students of his remember, he switched from economic history to economic anthropol-

ogy, and devoted the last part of his life to fighting against cold war, leading a project named «co-existence».

Gareth Dale's biography describes, in a very accurate way, Polanyi's life and intellectual legacy. Part 1 deals with the radical counter-culture of that «Bloomsbury on Danube», which made Polanyi and his peers «semidetached from the Western European scene, and aliens in their own land» (30). Polanyi's life is presented, since his youth in Budapest, as «a life on the Left», although far from Marxism. Here lies the most important merit of this book, in debunking Polanyi from Marxism.

Dale's *leitmotiv* is Polanyi's belonging to the tradition of European socialism, *i.e.* social democracy. Accordingly, Bernstein is presented as «a powerful pole of attraction» (34) along with Jaszi and Szabo's unorthodox Marxism. Their political and philosophical outlooks were in fact regarded by Polanyi as possible tools to build up a sort of «liberal socialism», a term Polanyi used «interchangeably with reformism, radicalism, and 'land reformers'» (50), which he applied to Owen's guildism and Cole's socialism as well, against the «paternalistic and statist elements of Fabianism» (85). Despite reminding readers how impressed Polanyi was by the publication of Marx's manuscripts in 1932, Dale does not fall into temptation and consider Polanyi a Marxist: he explicitly underlines Polanyi's efforts to make Marxism compatible with the Christian tradition. Polanyi's embracement of Christian values became unnegotiable when he tried to define the political and cultural origin of the profound crisis which led Europe towards the 'virus' of fascism, depicted as an enemy of socialism, democracy, and Christianity. Dale also reminds Polanyi's attack to Othmar Spann's universalism and the importance of individualism as the only possible antidote against the fascist virus. In this part of the biography, something important is missing though: Polanyi's aversion for Hegel's philosophy, which is massively present in many of his writings. This aspect of his thought might have been added to better describe the possibility, in Polanyi's vision, for socialism and individualism to converge into either a political philosophy or a political program. Christian values were fundamental for Polanyi's aversion against Soviet Communism as well: contrary to Dale's claim, «Russia remained Polanyi's primary affection» (144), Polanyi's writings on *Der Österreichische Volkswirt* clearly showed his harsh critique against the Soviet economic system; furthermore, it is well-known that he regarded bolshevism as a form of totalitarian regime, along with Italian fascism and German Nazism.

In the second part of the book, Dale focuses his attention on what has been described by Sally Humphreys as a sort of rupture in Polanyi's thought: having failed to combine socialism and liberalism, during his American period Polanyi would have actually dropped out of both politics and market studies, to devote his research on anthropology and pre-capitalistic societies. Dale disagrees: he considers Polanyi's work on trade and market(s) in ancient world as «a logical progression, a further elaboration of the concerns of *The Great Transformation*» (223), to whom he added his studies on Menger and Weber, rightly regarded by Dale as «chiaroscuro on Polanyi's canvas» (232). In the epilogue, the author sketches the possible use of Polanyi's categories and diagnosis of the classical liberal age to understand the present neoliberal society, although in a psychological framework that reminds Walter Benjamin's «left melancholia» pervading today's socialists.

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Susumu Takenaga (ed.), *Ricardo and the Japanese Economic Thought. Selection of Ricardo Studies in Japan during the Interwar Period*, London and New York, Routledge, 2016, pp. 259 (*Routledge History of Economic Thought*, 14).

As witnessed by the foundation of The Ricardo Society in October 2000, interest in the economics of David Ricardo is gaining momentum among Japanese historians of economic thought. On the occasion of the joint conference of the Japanese Society for the History of Economic Thought and the European Society for the History of Economic Thought in Tokyo and Kyoto in March 2009, Professor Shinji Fukuda gave a paper on 'Early Ricardo Studies in Japan' in which he provided a valuable summary account of the works of Japanese scholars on Ricardo published in Japanese and therefore not easily accessible to a Western audience because of the linguistic barrier (see Kurz 2011). More recently, interested readers may find in Faccarello and Izumo (eds) (2014) a long chapter by Masashi Izumo and Shigemasa Sato on the history of the reception of David Ricardo in Japan. The present book is fully devoted to what may be defined as the first Golden Age of Japanese Ricardian scholarship, that is, the period between the two World Wars: the first complete Japanese translation of Ricardo's *Principles of Political Economy and Taxation* was published in 1928, while various studies of specific aspects of Ricardo's thought appeared in the 1930s.

The book consists of a general Introduction by the editor, Susumu Takenaga, and six chapters. These chapters are the editor's English translation of a few significant contributions by eminent Japanese scholars in the interwar period. Two notable exceptions are Chapter 1, actually a miscellany of excerpts from three contributions by Tokuzō Fukuda, all written around the year 1910, and Chapter 4 by Tsuneo Hori on Ricardo's theory of wages. The latter is the 1958 version of a chapter from a book by Hori originally published in 1938 and subsequently revised and reprinted twice in 1948 and 1958.

In his Introduction, the editor accomplishes two valuable tasks. Besides providing detailed intellectual biographies of the six Japanese scholars whose contributions are translated in the book, Takenaga reconstructs the dynamics of Ricardian studies in Japan after the Meiji Restoration of 1868 and presents it as a specific episode of the general introduction of Western economic thought in Japan at the end of the isolationism pursued by the Tokugawa Shogunate. In the early phase of the Meiji era, at the end of the 19<sup>th</sup> century, Smith and Malthus were the two classical economists that attracted most of the attention of Japanese scholars and general readers. None of Ricardo's works was translated into Japanese and the only Ricardian contribution which percolated was rent theory, and this only via paraphrases of foreign secondary literature. The situation changed radically after WWI and the Russian revolution, thanks to the establishment of universities, both Imperial and private ones. Ricardo's economics got into the limelight and two rival exegetical traditions, the Marshallian and the Marxist ones, started blooming.

As concerns the first Chapter, we have already pointed out that Fukuda's contributions antedate the book's reference period. Yet, they were included in this book since, as the editor claims, Fukuda's approach deeply influenced subsequent Japanese historiography of economic thought. Accordingly, the value added by these early contributions consists in providing readers with a glimpse of how Ricardo was perceived in Japan at the beginning of the 20<sup>th</sup> century. In particular, Fukuda's interpretation of the *vexata questio* concerning labour expended versus labour

commanded appears to be influenced by Marshall's famous Appendix I in the *Principles of Economics*.

While Chapter 2 is a four-page extract from the Preface to *Outlines of Political Economy* by Hajime Kawakami, the scholar who played a crucial role in introducing Marxist economics in Japan, Chapter 3 by Shinzō Koizumi provides a fully-fledged Marshallian interpretation of Ricardo's economics. Ricardo's career as an economist is reconstructed from his debut during the Bullion controversy to the 1815 Corn Laws debate up to the *Principles of Political Economy and Taxation*. Koizumi, as was common in the Japanese academia of the time, focuses on Ricardo's theory of value and does his best to defend it against Jevons' strictures by pointing out that supply-side elements come to dominate commodities' value the longer is the time-period under consideration.

By contrast, the remaining three Chapters, by Tsuneo Hori, Kōjirō Mori and Chōgorō Maide respectively, exemplify, though with different nuances, Marx's influence on Japanese Ricardian scholarship at the time. Chapter 4 is an extensive commentary on Ricardo's theory of wages by Hori. He discusses at length the notions of natural versus market wage and real versus nominal wages. He analyses the various problematic aspects of the convergence of the market rate of wages towards the natural one and correctly rejects the notion that Ricardo was an early wage fund theorist. Chapter 5 is a collection of extracts from Mori's book, *Study of the Theory of Value of Ricardo*. Here, Marx's influence appears manifest, though Mori attempts to develop an original reading of Ricardo's texts. Mori provides a detailed review of the different assessments of Ricardo's theory of value available at his time, strongly rejects the view of Ricardo as providing the supply side of the Marshallian scissors, and criticizes Ricardo for his inability to grasp the real nature of profits as unpaid labour. Ricardo, in fact, is presented by Mori as groping towards Marx: «Although he was ambiguous about the essence of profits, Ricardo actually sought it in surplus value, but without developing his theory of profits far enough to invest it with what Marx called the theory of exploitation of labour» (190).

Finally, Chapter 6 by Maide provides an overall assessment of Ricardo's theory of value and distribution, with a focus on Ricardo's labour theory of value, together with a condensed analysis of the theory of money, taxation and international trade. While Maide praises Ricardo for his intellectual honesty as concerns the machinery question, he criticizes him for considering as objective natural laws what are only concrete manifestations of the capitalist mode of the production, that is, intrinsically historical and relative outcomes. Therefore, Ricardo is to be blamed for «lacking in abstraction rather than for being too abstract» (254).

To conclude, the book elucidates a hitherto almost unknown chapter in the history of the reception of Ricardo's economics in Japan. It is worth reading for both Ricardo scholars and all those interested in the diffusion of Western economic thought in 20<sup>th</sup>-century Japan.

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LUIGI EINAUDI, *Il Paradosso della Concorrenza*, edited by Alberto Giordano, Soveria Mannelli, Rubettino, 2014, pp. 7-132.

ALBERTO GIORDANO accomplished a very important scholarly endeavor: *Il Paradosso della Concorrenza* collects a series of fundamental works by Luigi Einaudi that deserve greater consideration. For the first time, Giordano juxtaposes four articles that were written in two different historical circumstances. *La Bellezza della Lotta* (1923) and *La Dottrina Liberale* (1925) stem from peace-time and solidification of the Fascist Regime, a regime that was applying orthodox economic reforms. While the other two, *Economia di Concorrenza e Capitalismo Storico* (1942); *Dell'Uomo Fine e Mezzo e dei Beni d'Ozio* (1942), were written in the midst of WWII, in a moment in which the Keynesian paradigm was circulating and Fascism had acquired corporatist form.

Rather than underscoring the differences in historical and intellectual contexts in which these texts emerged, Giordano focuses on the striking similarity of content: the articles form a coherent reflection upon the juridical and moral status of the market-economy, evaluated, in particular, from a stance that is sensitive to anthropological considerations. From this focus derives the common theme of the collection, perfectly epitomized by the title (in English: «The Paradox of Competition»): «competition does not survive its own exclusive domination».

Giordano publishes these works with a very pressing aim, made explicit at the opening and the closing of his introduction: Einaudi's thoughts still can and *should* offer substantial insights for present economic and political conundrums. Indeed, Giordano writes, even if the global economic system has changed profoundly, this does not mean the dilemmas Einaudi discussed have been «solved and surpassed by some innovative and happily applied synthesis». The author goes on: «To the contrary, the crisis of subprime mortgages and sovereign debts, the increase of inequalities and unemployment in industrialized countries, the growing environmental costs and the diminution, at least in Europe, of social mobility show that Einaudi's teachings, notwithstanding its limits, could come in handy» (39). Here Giordano lists the symptoms of what I understand to be a crisis of the capitalist socio-economic order. At present, I would add the migration crisis and the advent of authoritarian governments, two issues profoundly interconnected with our economic structure. In what follows, I would like to put a deeper stress on Giordano's expression, «notwithstanding its limits», which is not expanded upon in his introduction. Indeed, while Giordano appears to agree with the objectives and solutions of Einaudian socio-economic philosophy as expressed in these collected works, I contend that there is a problematic relationship between Einaudi's aims, which are very promising for a critical engagement with current socio-economic conditions, and the market solutions he expresses.

Einaudi's articles in this book, especially the ones of 1942, were motivated by a humanist concern: in a virtuous Liberal society individuals should flourish in all of their capacities, and each should be empowered to express his/her potential to the fullest. The definition of Liberalism is telling here: «The doctrine of who puts above all other objective the enhancement, the elevation of human kind [...] a moral doctrine, independent of the contingencies of time and space» (9). In *Economia di Concorrenza e Capitalismo Storico* Einaudi moves an important criticism to «pure economists» who regard any «problem that men intend to resolve as an economic problem» and move in their «rarefied world of purely economic premises» (60). Einaudi states that Wilhelm Ropke's book *Die Gesellschaftskrisis der Gegenwart*, which his essay reviews, can offer «an orientation in the chaos of our time» precisely because it has a wide scope, at once, philosophical historical and anthropological: «his

view is not economic but human» (61). It is only through such perspective that a convincing criticism to «historical capitalism» and the «present social malady» can be moved. Einaudi shared Ropke's concerns against monopolies, the excessive financialisation and mechanisation of society, the big industrial cities, the extreme inequalities of income and the homologation of men's capacities into proletarianization. Einaudi's appeal against the exploitative relation between earth and mankind, together with the necessity to safe-guard traditional life-styles, is emblematic of his central humanist concern. Men must find spheres that are preserved from the market economy. The *homo-Oeconomicus* cannot be the omnipresent guide to socio-economic existence: «to possess and cultivate land is a way of life, that presupposes an invincible repugnance to economic calculus» (63). In *Dell'Uomo Fine e Mezzo e dei Beni d'Ozio*, Einaudi agrees with Luigi's Bandini's criticism of the tendency for man in modern society to become a means, rather than the end, of the production system: the sacrifice of men for the economic cause. Furthermore, as Giordano points out, Einaudi criticizes the vice of contemporary capitalism for having «greatly diminished, if not abolished, the joy of labor», Einaudi contributes to a positive conception of labor, as the expression of a positive need: «the joy [...] of labor that is beautiful and attractive in itself». This view is clearly at odds with the neo-classical framework of labor as disutility: Einaudi does not understand human beings primarily as rational maximizers of pleasure.

All of these thoughts are indeed crucial insights for contemporary socio-economic discussion. Giordano stresses that they stem from consideration of man's nature: a foundational anthropological reflection that grounds Einaudi's socio-economic analysis. Hence, what is his suggestion for these principles to be enacted? It is here that, in my view, the problem with Einaudi's stance emerges. For Einaudi the solution is to safeguard the «economic system based upon market competition»; it is indeed to this system that «the name of liberal-democratic is suitable, as it is pivoted on the command of the consumer» (76). In Einaudi's words one immediately recognizes Smith's invisible hand: self-interested economic actions assure collective benefits and the sovereignty of the individual consumer. Einaudi adheres to the *ordo-liberal* tradition. He invokes a solid juridical framework as the only viable means to secure such perfect competitive outcome. The overarching thought is that the market economy can be instrumental to the flourishing of mankind in all of its capacities. However, such an optimistic view of the convergence between a market-framework and the flourishing of human nature can be deeply disputed.

Giordano seems indeed to notice the potential contradiction when he writes: «And it is not easy to understand how he thought it possible to reconcile competition, social mobility and flexibility of the labor market, with the necessity to form stable connections with the land, also from a political point of view, and reconstruct traditional and 'natural' ways of life» (31-32). Yet, Giordano skirts the issue as «pertaining more to social philosophy than to political economy». Instead, I argue that, coherently with Einaudi's methodological approach, one cannot separate the economic, the moral and the philosophical. Indeed, it is again Einaudi's anthropological stance that is the foundation for favoring competition. As Giordano explains, Einaudi endorses an antagonistic conception of human nature. Individuals are fully realized when they can express themselves freely and compete with each other: «the beautiful, the perfect is not uniformity, is not unity, but variety and contrast» (10). Imbued in this notion is a moral outlook that stresses the importance of individual responsibility. Einaudi expresses great sympathy for those who «want to elevate themselves, and in this effort they battle, they fall, they stand up, learning at their own expenses to win and perfect themselves». (12). Self-help is the moral and economic virtue that Einaudi values the most. This is why socialist frameworks are deeply despised in all of these four works.

Such moral convictions lay the grounds for his justification of profit and the necessity to protect savers through orthodox fiscal and monetary policies. Profit is the necessary reward for men who are gifted with entrepreneurship, in order for them to pilot the economic system, bringing about «the material and moral advancement of society». (15) On the other hand, as Giordano pointedly remembers, the economic and moral role of the saver is central to Einaudian economic thought. Savers play the central function of providing entrepreneurs with the necessary resources to lead the economic machine. However, Giordano states, «Savings is a moral choice before an economic-financial one, and directly measures the degree of civilization gained by a given society» (17).

In sum, the significance of the concepts of self-help and of the reward for the most virtuous individuals are foundational elements for Einaudi's convinced support of market competition as the cardinal element of the social contract. Now the question re-emerges: is an Einaudian free-market framework compatible with the flourishing of human nature, also in those non-economic aspects that Einaudi appeared to cherish in his 1942 works? This is a huge issue that cannot be addressed here. Still, I would like to cast doubts on such a connection by reflecting critically upon the notion of competition itself.

It is true that for Einaudi economic competition is a «delicate sapling» and thus requires a solid institutional framework to safeguard it. Yet, the nature of such competition is essentially idealized as securing an harmonic outcome, where consumers are sovereign and fulfilled. However, one may endorse a completely opposite idea of competition that would necessarily lead to the collapse of a coherent relation between the end (the flourishing of the individual) and the means (market competition). In his recent book *Capitalism Competition Conflict Crisis* (Oxford UP, 2016), Anwar Shaikh puts forward the paradigm of *real competition* as the central regulative mechanism of capitalism. Real competition is «as different from so-called perfect competition as war is from ballet...competition pits seller against seller, seller against buyer, buyer against buyer, capital against capital, capital against labor, and labor against labor. *Bellum omnia contra omnes*» (14). The notion of competition as warfare compels individual producers to set prices that keep them in the game, just as it forces them to lower costs so that they can cut prices to compete effectively. Costs can be lowered by cutting wages and increasing the length or intensity of the working day, or at least by reducing wage growth. But these solutions must contend with the reactions of labor, «which is why technical change becomes the central means over the long run», causing an ever greater phenomenon of technological unemployment, such as the one we are experiencing today in the West. In this framework, we realize that it is very difficult to view the market economy as an instrument for the sake of mankind. Rather, competitive warfare has many casualties, *in primis* the possibility of safeguarding the environment and achieving the joy of labor as a positive need *à la* Einaudi. It is in the very nature of real competition to transform society towards the ever greater leveling of human capacities; an outcome Einaudi deeply opposed. In a real competitive paradigm the very *ordo-liberal* idea of the economic neutrality of legal institutions – setting the rules of the game for perfect competition – appears as an idealistic stance. Legal frameworks are instead conceived as part of real-world economic and political competition itself. Market regulations and the legal control of the economy may come about, but only in certain favorable historical contingencies that must be actively sought.

In conclusion, Giordano retrieves four Einaudian texts that certainly spur readers to think about the «tormented relationship» between economics and politics. However, one must be wary of Einaudi's proposed solution. Indeed, it is only through

deep knowledge of the complexities and brutalities of *real* competition that legal and economic institutions may direct human action towards the flourishing of mankind. A goal Einaudi himself wisely invoked.

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ERWIN DEKKER, *The Viennese Students of Civilization*, New York, Cambridge University Press, 2016, pp 220.

DEKKER's volume is an ambitious attempt at studying the Austrian school of economics from the point of view of cultural economics. A merit of his effort is to describe the richness of thought of Austrian economists, like Carl Menger, Friedrich von Wieser, Eugen von Böhm Bawerk, Ludwig von Mises, Friedrich von Hayek, Fritz Machlup, Gottfried Haberler and Joseph Schumpeter, by analysing the cultural context in which they lived and operated. In so doing, Dekker underlines the sociological and political thought of the afore mentioned Austrian economists more than their economic theory. His aim is to prove that the denomination «Austrian school of economics» might be better substituted by «Viennese students of civilization» (Dekker 2016, 14-20).

The first step toward this goal is to exchange the adjective «Viennese» for «Austrian». The denomination of Austrian school of economics was attributed to Carl Menger and his followers by their long-time adversaries in the *Methodenstreit*. By calling them «Austrian», German economists such as Gustav Schmoller expressed their disapproval through a prejudicial accusation of provincialism and non-Germanism. Given the high reputation of German universities in the Austrian empire, whatever came with the adjective «Austrian» was considered backward and of lower standing. Therefore, after the *Methodenstreit*, economists of the Austrian school were denied the possibility of obtaining a chair in Austria (Mises 2003, 3). Austrians' reply that their adversaries were lackeys of the Hohenzollern reigning house had no similar effect: Germans were rather proud of it. Nonetheless Austrians accepted their denomination, even historicising the emergence of their school and its methodological and theoretical characteristics (Hayek 1968). Why then does Dekker insist on «Viennese»?

Ironically, the main reason behind the disintegration of the Austrian empire after WWI, its multinational character, was the source of the extreme cultural vitality of Vienna before and after the turn of the century (Johnston 1983). The liberal policies enacted after 1848 granted not only freedom of speech and of press but also freedom of movement and the revocation of many laws restricting the intellectual and economic activity of minorities. As the administrative centre of a huge empire, Vienna experienced a demographical boom, mainly due to immigration flows, and became a melting pot and a cradle of modernity (Brandstätter 2005; Schorske 1981). «In the climate of freedom that these statutes warranted, – Ludwig von Mises reminisced – Vienna became a center of the harbingers of new ways of thinking» (Mises 2003, 2). «Harbingers of new ways of thinking» came from inside and outside the empire, bringing in town their respective cultural heritages. Most of them immigrated from the Austrian provinces. In the case of economics: Carl Menger and later von Mises himself migrated from Galicia, Eugen von Böhm Bawerk and Joseph Schumpeter from Moravia; Fritz Machlup and Gottfried Haberler came from cities in the outskirts of Vienna; only Friedrich von Wieser and Friedrich von Hayek were born Viennese. In 1859, by tearing down its old city walls, Vienna literally opened to the outside world, welcoming everyone, wherever they came from, in its newly acquired

attire: the *Ringstrasse* and the elegant bourgeois districts. The city bubbled with intellectual activity: in the reformed university, in the Gymnasiums, in technical and agrarian secondary schools, in private salons, cafés and theatres. The ubiquitous intellectual interchange bore so much fruit that in historiography an entire literature dwells on «Viennese» thinkers, defined by their partaking in such a vivacious cultural ambiance (Guidi 1984; De Vecchi 1993; Antiseri 2000; Hacothen 2002; Benesch 2012). Economics, banned from university after the condemnation of German historicists, particularly thrived in a variety of circles, from the famous «Wiener Kreis» to the «Mises Kreis» (Dekker 2016, 27-45). More than taught, economics was so discussed, debated and fought over without boundaries of discipline, academic status or formalisation. This was a typical characteristic of Vienna's cultural life that justifies Dekker in reclaiming the adjective «Viennese» for the economists of the Austrian school. In fact, in German speaking literature the «Österreichische Schule» has always been addressed also as «Wiener Schule». If this is enough, though, to throw away the definition of «Austrian» that played so much part in the identity construction of the adherents of the school itself is left to the reader to decide.

A cultural study of the Austrian school of economics, though, would imply more than just listing some discussion circles, centred on philosophy, mathematics, economics, politics and law (Dekker 2016, 33). Dekker interestingly throws in some considerations linking the thought of the Menger brothers, Mises, Schumpeter and Hayek to the medical tradition of «therapeutic nihilism», flourishing in Vienna in the second half of the 19<sup>th</sup> century (Dekker 2016, 109-130). Much more could be said, though, about the influence that the second Vienna school of medicine, and particularly Carl Rokitansky, had on Vienna's cultural life (Kandel 2012, 19-27), including economic thought (Rokitansky 1869). Other than absorbing the 'hands off' policy of therapeutic nihilists, Austrian economists were part of a general inward turn of research, widely diffused by Rokitansky through his pathological studies and later by Freud with psychoanalysis. The subjective theory of value is clearly part of this more general cultural movement, typically Viennese. Expressionist art as practiced by Klimt, Schiele and Kokoschka is another. An analysis of the references to the modernist anti-positivism of Vienna's culture in the work of Viennese expressionists and architects would be a welcome improvement of Dekker's research, while the author's interpretative efforts dedicated to a Dutch painter of the 1930's depicting Pompeii's ruins seem rather off place (Dekker 2016, 1-5). Moreover, given the subject of the volume, other intellectual circles could have been mentioned, particularly those bringing together scholars of diverse branches of science. The liberal «Juridisch-Politische Leseverein zu Wien», to which all Menger brothers and Böhm Bawerk adhered (Brauneder 1992), springs immediately to mind, but also literary venues like the salon held by Berta Zuckermandl or the «Wiener Goethe-Verein».

The second point of Dekker's reasoning is summarised in the definition of Austrian economists as «students» of civilization processes. Students, in Dekker's understanding, are primarily observers and analysts of society, whose incomplete knowledge advises against any active engagement in reforming policies, political institutions or, God forbid, utopian planning (Dekker 2016, 5). This peculiar trait of Austrian economists evolved, according to Dekker, in response to the disillusion of liberals after the constitutional reforms related to the «Ausgleich» in 1867 (Dekker 2016, 56-58). These reforms dissolved the liberal majority in Parliament and brought forward political alliances favouring nationalistic sentiments and religious interference. As in other European countries, Austrian liberals faced then the dilemma of being a minority threatened by suffrage expansion, while the enlightened belief in educating the majority to liberal ideals crumbled in the face of the diffusion of

socialism and nationalism. Austria, with the subsequent losses of pieces of the empire, starting with the Italian provinces in 1859, witnessed at the same time the failing of multiculturalism and cosmopolitanism. Mises clearly summarised the hands-off attitude of the first generation of Austrian economists in front of such disasters. «They looked calmly upon the passionate propaganda of both the Historical School and Marxism. They were fully convinced that the logically indefensible dogmas of these factions would eventually be rejected by all reasonable men precisely on account of their absurdity and that the masses of common men would necessarily follow the lead of the intellectuals» (Mises 2003, 17). This frozen countenance in front of the dissolution of the Empire and the vanishing of liberal beliefs reflected a general cultural trait, resumed in the maxim of «joyful apocalypse» (Clair 1986). A civilisation was perceived at its end and nothing could be done to prevent its demise. Education, of the masses and of the successor to the throne alike, as done by the Menger brothers, was the main engagement of the economists of the Austrian school in relation to any notion of civilisation before disillusionment set in with the war losses, the economic crisis of 1873 and the suicide of Rudolf of Habsburg in 1889.

The picture changed with the new century. Economists like Wieser and Schumpeter, then, following the suggestions of Nietzsche, regarded progress as the result of the action of a deviant minority (Dekker 2016, 59-63). Böhm Bawerk immediately answered with his noteworthy essay on «Macht oder ökonomisches Gesetz?», reaffirming the impossibility of human action to influence or change economic laws (Böhm-Bawerk 1914). In the interwar years, the firm belief that economic institutions like the market, which were the product of an autonomous evolution process, educated the masses to rational action and as such represented in themselves an agent of civilisation was strongly defended by economists as Mises and Hayek in opposition to every form of utopian reform project, be it Marxian, socialist or corporatist. Without markets, no rational economic action would have been possible on a general scale: this was the conclusion of liberals experiencing the turmoil of Red Vienna. Dekker's story ends with the active engagement of Friedrich Hayek in the Mont Pélerin Society, a far cry from the *laissez faire* beliefs of the Austrian economists of the previous century.

The question raised by Dekker as to what stance Austrian economists took in regard to the evolution of history is intriguing. His answer, though, is rather simplistic. Defining disparate intellectuals as Carl Menger, Eugen von Böhm Bawerk, Joseph Schumpeter and others as «students» does not hold. Dekker himself, at the end of his volume, candidly affirms that «students» of civilisation is more a normative definition for present and future economists than a useful interpretative tool for historiographic research (Dekker 2016, 185-201). As a matter of fact, «students of civilisation» is a definition that would suit the adherents of the German historical school better than their adversaries. So, what Dekker unveils in his research is the similarities between Austrian and German economists in the period under study, similarities that deserve to be better explained by including in the research all those circles in which the two schools came together. Many questions, starting with the here relevant enquiry on value judgements in economics, were discussed in depth at the time by both parties together and generated a useful amount of literature, overlooked in Dekker's volume. The main setting of this fruitful intermingling was the *Verein für Socialpolitik* and the main character was Max Weber, who repeatedly worked on methodological questions together with young Austrian economists like Schumpeter, with a major influence on their ideas regarding the progress of history, the evolution of economic science, and the role of economists in society as well.

The third and last point of Dekker's reasoning is the focus on «civilisation» as research object of his Viennese students. This is the most questionable point of

Dekker's work. Dekker himself cannot find any shared definition of civilisation among the Austrian economists he analyses. He so attempts to refer to definitions circulating in contemporary Germany, without being able to prove any diffusion and assimilation process of the related theories in Austria (Dekker 2016, 6-10). Dekker so superimposes a concept of civilisation he himself defines as «how things are done» and «the interaction of individuals» (Dekker 2016, 6) to disparate thoughts and actions of Austrian economists over a century. Those economists, though, did not speak of civilisation in those terms, if at all. Dekker makes his case, in fact, through a meagre collection of quotations from a quite limited number of published sources, for the greatest part in English (Dekker 2016, 203-215). The scarcity of German sources, and the almost complete lack of analyses of journals and newspapers, raises many doubts on the validity of the results of a research in cultural history, a discipline in which language and particularly linguistic changes have a paramount importance.

Still, the question raised by Dekker proves again truly interesting. Did Austrian economists, despite their methodological stance, believe in a civilization process? A cultural study of this problem could fruitfully analyse the philosophical foundations of Austrian economists' thought, particularly regarding their philosophy of history. In fact, the period analysed by Dekker witnessed the end of enlightened positivism and Vienna was particularly involved in rethinking the hermeneutical foundations of science. Nietzsche, Mach, Einstein, Hofmannsthal and Wittgenstein were, in this regard, particularly influential. The impact on economics and economists was relevant. There was a general 'sociologic turn' in response to the declared death of natural laws, a turn according to which society, as the product of human interaction or evolving institutions, substituted the restraining power of natural laws on men. Some economists also shared the general Viennese inward turn, justifying the denomination of the Austrian school of economics as «psychological school». In sum, a whole lot of new influences came crashing down on the head of man, just freed from the determination of natural laws. Personal freedom and the capability to influence history had to be defined anew. The answer that every economist gave to this philosophical question had much influence on her/his engagement in public life and political action. This last point is particularly important in the case of the liberal economists of the Austrian school, because they shared a long tradition of political involvement. Carl Menger was counsellor to the emperor as *Hofrat*, Friedrich von Wieser, Eugen von Böhm Bawerk and Joseph Schumpeter were appointed as finance ministers, and Ludwig von Mises was counsellor of the Austrian government on monetary matters. How to reconcile this political engagement with their philosophical beliefs and theoretical ideas could become an interesting part of a cultural study of the Austrian school.

In synthesis, Dekker's volume opens up many interesting historiographic questions and suggests many compelling research paths. By arguing that even the logical-deductive theorists of the Austrian school shared many insights in the development of society and the political role of economists, the book proves to be an effective manifesto in favour of studying economics and economic thought from a cultural point of view. It thus constitutes a useful reading for students in economics and history.

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FIorenzo MORNATI, *Una Biografia Intellettuale di Vilfredo Pareto, Volume 1, Dalla Scienza alla Libertà (1848-1891)*, Roma, Edizioni di Storia e Letteratura, 2015, pp. VIII + 184.

THIS is the first volume in a trilogy that Fiorenzo Mornati (University of Turin) devotes to the intellectual biography of Vilfredo Pareto. Pareto is one of those gigantic figures who has deserved a field of studies of his own, «Paretology» – to use a term coined by Norberto Bobbio referring to the new wave of Paretian studies that has grown exponentially since the 1960s. Fiorenzo Mornati is a first-class Paretologist who with this biography possibly introduces a new genre in the field, that is, the «detailed biography» (*biografia di dettaglio*) (1) of Pareto. In fact, the reader will be struck by the level of detail that Mornati reaches in his reconstruction of Pareto's life. The book is an engraving of Pareto's life in which Mornati employs a fine chisel to eternalize Pareto's shape through a series of unassailable details.

The period covered by this first volume goes from Pareto's birth to 1891, the year marking the end of what Mornati calls the «engineering-managerial twenty years» that Pareto spent in Tuscany as an executive, first in the railroad business and then in the iron industry. A short biography of Vilfredo's father, Raffaele, is presented at the outset. Vilfredo thus appears as the offspring of an all-but-indolent Genoese aristocrat, an enthusiast for solid empirical knowledge who was no stranger to noble ideals (Raffaele was involved in Mazzini-inspired riots and eventually took shelter in France, where he would meet Vilfredo's mother). Mornati wastes no time with flip-pant speculation or irrelevant anecdotes; most of what i) cannot be documented, or

ii) is irrelevant to Pareto's 'intellectual' biography is put programmatically aside. Vilfredo was a gifted student first at the *istituto tecnico*, then at the University of Turin (in mathematics), and at the engineering school in Turin. His inherited sense of the practical led him to choose a career as an executive in the private sector where he could put to use both his technical and managerial abilities. This period of Pareto's life seems particularly interesting not only because it has been «extensively neglected» (vii) by Pareto scholars, but also because it allows the reader to gain insight into the connection between Pareto the economic practitioner and Pareto the eminent economist and sociologist. Mornati paints a picture of a competent and tireless executive, a man truly committed to the interests of shareholders, leading with an iron hand yet fair to the workers. Beyond the changing fortunes of business, what may surprise a reader who is not already familiar with Pareto's biography is the customary use of collusive agreements, which Pareto would secure with competitors in the competitive arena of the iron industry. Mornati is always precise in giving the context, which makes these agreements seem not only natural but also economically rational. Far from a stain on Pareto's *cursus honorum*, Pareto's business behavior is enlightening evidence of his scientific methodology, which Mornati reconstructs and presents to the reader. In my opinion, Mornati's juxtaposition of Pareto's business behavior and «empiricist's» (using the word «pragmatist» may be tempting, but it would be biographically premature) methodology is the most valuable contribution of this volume.

Even though Pareto may have been overwhelmed by his business duties in those early years, he never refrained from reading and studying, building and strengthening his ideas and methodological background piece by piece. Reading John Stuart Mill was particularly beneficial in this period. In Mill, Pareto found a kindred spirit who was truly aware that the explanation of social phenomena – and of reality in general – is «extremely complex» (113), so that reaching a satisfactory explanation requires not only the use of all the social sciences, but also of the natural sciences. Although Pareto's economic jargon was contaminated by rational mechanics and thermodynamics, this was never done in a reductionist fashion (114). The method of social sciences had to be «analytical» (which Pareto compared with the «synthetic» method of mathematics) and «plural», privileging inferences formulated through the Millian «concrete deduction», which consists in explaining a phenomenon through the composition of its causes. Thus, in a nutshell, the world is complex and there are no easy explanations and solutions out there.

The pluralist and analytical spirit of the young intellectual was the very same that was to be found in the young executive, but it also characterized Pareto's coeval stances in public affairs, either as a candidate running for office in 1882 or as a journalist writing in liberal journals. In fact, while Pareto's liberalism grew and became more and more solid through these experiences, his stances were never ideological; they were mostly driven by wide-ranging considerations, in which economic analysis was always read through the lens of the global situation. Staunchly opposed to the oversized role of the state, Pareto's opinion of state intervention, in particular interventionist and protectionist policy, often stemmed from articulated thoughts (113). For instance, the aid provided by the Italian government to the railway industry was justified by the peculiar conditions of the Italian system (138-139).

The Pareto portrayed by Mornati is rigorously engraved by removing as much flesh and blood as possible and by isolating his deeds and intellect. This, however, is not necessarily desirable, even in a biography focusing programmatically on Pareto's intellect. For instance, most of the correspondence used to reconstruct Pareto's deeds and thoughts in these years comes from his epistolary relationship with Emilia

Toscanelli Peruzzi, the wife of Pareto's Florentine patron, Ubaldino Peruzzi. Why did Pareto engage in this correspondence, and why was it so open and wide ranging? Knowing this sort of fact – which Virginia Woolf would call a «fertile fact» – would have helped the reader to better appreciate Pareto's thought. Yet, Pareto is undoubtedly the beloved hero of this book, and acknowledging Mornati's devotion is important. There are some rare glimmers of this devotion, little pieces of empathy through which the author embellishes this biography, either through the use of unexpectedly kind adjectives (e.g., 4) or through psychological speculation, for instance on the inner roots of Pareto's elitism (125). The most patent sign of the author's devotion to Pareto, however, is Mornati's standoffishness, his loyal attempt to let Pareto's deeds and writings speak for themselves. This is, in the end, what a «detailed biography» truly is. We look forward to the next two volumes.

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