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SCIENTIFIC RIGOR AND SOCIAL RELEVANCE: THE TWO DIMENSIONS OF OSKAR R. LANGE'S EARLY ECONOMIC ANALYSIS (1931–1945)

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THESES ABSTRACTS

SCIENTIFIC RIGOR AND SOCIAL RELEVANCE: THE TWO DIMENSIONS OF OSKAR R. LANGE'S EARLY ECONOMIC ANALYSIS (1931–1945)

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In the period 1931 to 1945 (from the time of his admittance to the Polish academia to the end of his Chicago sojourn), Oskar R. Lange produced the most significant body of his economic work.

However, contemporary economists and historians have typically limited their attention to a few works, effectively ignoring the relationship between them. One might even claim that a comprehensive and detailed analysis of this period has yet to be published, except for a series of influential (but also synthetic) judgments expressed by Lange's biographer, Prof. Tadeusz Kowalik (e.g., 1964 *Festschrifts* and 1994 *Selected Essays*). As a result, the role played by Lange in most debates of the "years of high theory" has been largely underestimated.

Moreover, the author's great breadth of interest has generally been interpreted as evidence that in those days, Lange was an eclectic economist who alternated between marginal analysis and Marxian economics.

In light of such a premise, this thesis aimed first to fill the existing dearth of material, offering scholars an original and detailed survey of Lange's books and articles, so as to reconstruct the role played by each of them in the crucial debates of the 1930s. Secondly, it investigated whether Lange was simply an eclectic economist, or whether economic theory and Marxian economics constituted two halves of a unique scientific project. Finally, the thesis endeavoured to reconstruct the (eventual) features of this scientific project, determining *if* and *how* it changed along with the changes of the years examined.

The author believes the aforementioned objectives are relevant from both an historical and a scientific point of view, as they allowed him to draw an exhaustive

portrait of the young Oskar Lange, and to recover many of his analyses, which have once again become topical in our discipline, especially after the explosion of the world's current crises.

To support its objectives, the primary sources of the thesis dealt with epistemology, economic theory, Marxian economics, and socialist theory. In particular, attention was focused on works published in both English (in the mainstream journals of the period) and Polish (practically unknown abroad), and finally on some unpublished works held in the Archives of Chicago.

The study of these works was spread over four chapters. The first dealt with methodology, showing that, based on epistemological assumptions, Lange conceived the economic investigation as both a theoretical and a social science. He therefore introduced two interdependent levels of the economic inquiry: an abstract one (to be studied through marginal analysis); and an institutional one (to be investigated through Marxian economics), stressing their mutual complementarities.

Chapter II focused on the Polish phase of Lange's academic career (1931–1934), particularly the analysis of his early works, dealing with economic equilibrium, the 1929 crisis, and Marxian and socialist theory. The study showed that Lange had already developed both these economic dimensions (i.e., theoretical and social science) in this period. However, any mutual relationship was not yet evident, and his analysis tended to be somewhat imbalanced in favor of the social side. As a result, it was not possible to detect the existence of any scientific project. In addition, while the two strands were already conceptualized, in those days Lange was simultaneously a marginalist economist and a Marxian political economist.

Chapter III dealt with his first American sojourn at Harvard from 1934 to 1937 under the supervision of Joseph Schumpeter. The investigation showed that, after a pivotal article on methodology (1935), Lange's basic ideas evolved into a scientific project, which included a (relevant) critical dimension. On one hand, he started to reflect on a recurrent topic (1934, 1935, 1936): the discrepancy between the theoretical tenets of traditional theory and their outcome when applied to a capitalist system. On the other hand, Lange elaborated the first edition of a socialist model, aimed at showing the practicability of such a solution in order to attain the abstract objectives of the economic theory itself. In other words, through a new, previously unexplored symbiosis between economic theory and Marxian economics, Lange's ambition was first to discount any bonds of significance between economic theory and its implicit defence of capitalism; and secondly to propose an alternative solution involving a transition to socialism, proffered as the only possible means of accomplishing the same theoretical purposes.

Lastly, Chapter IV analyzed Lange's Chicago sojourn (1938–1945), arguably the most important period of his early career. This survey revealed that Lange reaffirmed and further developed his scientific body of work in this period.

Following the publication of Keynes' *General Theory*, Lange focused his attention on the theory of interest (1938), making the first attempt at introducing non-neutral money into a Walrasian framework (1942, 1944), anticipating the "Pigou effect," and influencing the subsequent debate (above all, on the views of his student, Don Patinkin) on the "Classical" dichotomy and the quantity theory of money.

He once again emphasized how a capitalist economy cannot achieve the results postulated by economic theory, with underconsumption and long-lasting

underemployment constituting its dominant features. Instead, Lange restated that a socialist economy is a better institutional framework for economic theory itself (1942, 1944). He also reaffirmed the social relevance of economics (in opposition to the supporters of the “compensation principle”) through an important article on welfare economics (1942).

Ultimately the two fields of research merged into an attempt at rewriting a more “generalized” economic theory (1945), not reliant on the tacit assumption of a capitalist system, but compatible with different institutional contexts, first and foremost that of a socialist society.

The analysis of these periods of Lange’s evolutionary thinking led the author to conclude that the young Oskar Lange was indeed a key figure in the debates of the 1930s and 1940s, and his works were connected in a wider scientific project aimed at conjugating the higher discipline of scientific rigor with the maximum degree of social relevance. For this purpose, the Polish economist made a distinction between the “pure abstract” and the “effective” level of investigation. With the former, he generally accepted traditional theory, albeit with several qualifications and updates. With the latter, he explored many implications of Schumpeterian and Keynesian theories, though radicalizing them (in terms of policy).

His entire body of literature from this period has, therefore, been interpreted as a fresh attempt to critique mainstream theory “from the inside,” motivated by its lack of realism.

THE CARDINALIST MANIFESTO: THE EPISTEMOLOGY OF THE MEASURABILITY OF UTILITY

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Over the past century, economists have increasingly relied upon utility theory to the point that some economists have redefined the discipline as “the application of the principle of utility to every aspect of human behavior” (Prieto 2008, p. 338). Economics made its big shift onto a foundation of utility theory during the ordinal

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