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Les économistes français et les finances publiques après la guerre de 1870-1871

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Abstract. Après la guerre de 1870-1871, la France se trouve dans une situation délicate : finances publiques dégradées, menaces sur son système monétaire, hausse du poids de la dette et aspiration – du moins d'une partie des économistes – à une réforme fiscale d'ampleur. Les objets de discussion de la communauté des économistes à cette époque rappellent avec beaucoup d'acuité les réflexions contemporaines : des difficultés de financement peuvent-elles perturber durablement le fonctionnement du système monétaire ? Peut-on et doit-on endiguer l'augmentation des dépenses publiques ? Comment financer le recours massif à l'endettement sans mettre en péril les perspectives de croissance ?

L'étude de l'après-guerre 1870-1871, tant du point de vue de l'histoire des faits économiques que de l'histoire de la pensée économique, est importante à plusieurs titres. Elle révèle des débats de nature économique autant que politique entre économistes. Ces débats, malheureusement peu étudiés par les historiens de la pensée, sont traversés par deux questions principales : celle, d'une part, de l'impossible défense du système monétaire bimétallique, pourtant en vigueur depuis le début du siècle ; et celle, d'autre part, de l'arbitrage entre les différents modes de financement public.

Cet article s'intéressera dans un premier temps à l'analyse faite par les économistes libéraux français de la situation monétaire et financière de la France d'après-guerre : quelles sont les causes de l'affaissement du système monétaire bimétallique et de l'Union latine ? La situation financière de la France suite à la défaite est-elle, selon les économistes français, en cause ? Il sera ensuite consacré à l'étude des débats entre économistes relatifs à la sortie de crise. On s'interroge, parmi les libéraux, sur les moyens d'adapter les recettes de l'Etat aux finances publiques dégradées, et sur la pertinence de procéder à des augmentations d'impôts ou au contraire de recourir massivement à l'emprunt. Nous montrerons dans cet article que les difficultés financières de l'après-guerre ont également joué un rôle important dans la prise d'ampleur des discussions sur la réforme de la fiscalité, qui ont abouti à la création de l'impôt progressif sur le revenu à l'aube de la 1^e Guerre mondiale.

Coase, cost divergences and market failures. From “the Marginal Cost Controversy” to “The Problem of Social Cost”

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Abstract. The purpose of this paper is to restate the importance and place of Coase's 1946 article on the marginal-cost pricing of “natural monopolies” in his intellectual trajectory. It shows that “The Problem of Social Cost” (Coase, 1960) extends the analytical and methodological claims of the earlier article. We explore several types of similarities between both articles. They analyze a similar problem: a divergence between marginal and average costs and between private and social costs. In both cases, Coase criticized the standard approaches for being instances of “blackboard economics,” and specifically for promoting taxation – Pigou's taxation making social cost equal to private cost; Hotelling and Lerner's taxation as a complement of, and guarantee to, marginal-cost pricing. By contrast, both articles are instances of Coase's comparative institutional analysis and both solutions proposed by Coase rest on his confidence in the efficiency of the price system.

Keywords: Natural monopoly, externalities, social cost, Ronald H. Coase, taxation

Salaire, concurrence et surtravail: une contribution classique à l'explication du profit

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Abstract. Cet article propose une reconstruction moderne d'un écrit méconnu de R. Torrens portant sur la formation et la répartition du revenu entre les classes sociales. Le cadre analytique de ce modèle est celui d'une économie à bien unique où les coefficients techniques sont supposés fixes. Par rapport à l'approche contemporaine de la théorie ricardienne (i.e. celle de Sraffa), notre interprétation conduit principalement : 1) à représenter le salaire comme l'expression économique du jeu concurrentiel sur le marché du travail, 2) à proposer un mode de détermination du partage du produit net entre salaires et profits sans présupposer la fixation exogène de l'une de ces variables, 3) à concevoir un concept original de surtravail pour l'explication du profit en dehors du cadre analytique de la valeur-travail. Au final, il apparaît que l'approche de Torrens jette les bases d'une conception originale du profit en tant que prélèvement effectué sur la base d'une transaction marchande spécifique aux économies capitalistes.

Classification JEL : B12, B31, E11.

Meeting John Rawls. An experiment on distributional motives

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Extended abstract. In this paper we present the results of a pure distribution experiment where players must choose between a maximin, equity-dominant solution and a Hicks optimal, efficiency dominant distribution. We used three different conditions where the information about the player's role varied. In addition to the certainty condition (Condition C for 'certainty'), players had also to choose between the same two distributions knowing that each role would be attributed to one player of their group (Condition R for 'risk') and knowing only that themselves as well as the two other players could be in one of the three roles no matter the role attributed to the two other ones (Condition U for 'uncertainty'). This specificity of our design was implemented as an attempt to investigate the necessary conditions of procedural equity, a consideration which stems from the main motivation of our study, the much debated theory of justice proposed by John Rawls (1971). In this perspective, Conditions R and U can indeed be considered as two reduced implementations of the 'veil of ignorance', which is considered by Rawls as the necessary condition for the deliberation and the expression of the principles of justice themselves.

In the original position, behind the veil of ignorance, Rawls argues, it is rational for individuals to opt for the two principles of justice implied by his conception of 'justice as fairness'. As we know, Rawls introduces the maximin rule as a way to interpret the second principle. The principles themselves are of course presented as impartial views of the contractual structure of society, whereas the maximin rule is presented as a "heuristic device" describing an individual in a situation where they need to make a decision while "faced with several possible circumstances which he may or may not obtain" (ibid., p. 153). It must be stressed that among other elements supporting the argument made by Rawls for the difference principle, the rationality of the parties when voicing their choice among alternative principles of justice in the original position is crucial. Rawls further underscores the higher burden put on agents by the utilitarian principle of efficiency, or Hicks optimum, pointing that it "requires a greater identification with the interests of others than the two principles of justice" (ibid., p. 177). The argument follows: "When the two principles are satisfied, [...] there is a sense defined by the difference principle in which everyone is benefited by social cooperation. [...] When the principle of utility is satisfied,

however, there is no such assurance that everyone benefits, [...] thus the scheme will not be stable *unless those who must make sacrifices strongly identify with interests broader than their own*. Looking at the question from the standpoint of the original position, the parties recognize that *it would be highly unwise if not irrational to choose principles which may have consequences so extreme that they could not accept them in practice.*" (ibid., pp. 177-178, emphasis added) Rawls thus makes a strong argument for the maximin to be the most rational choice for selfish players. Though selfishness can indeed be a sufficient condition to choose the maximin distribution in that situation, purely selfish motives might however interact with risk-aversion, efficiency or else equity considerations. Our experimental protocol allows us to refine the analysis of weight of the various trade-offs between the distributions that are diversely supported by the equity, efficiency and 'monetary selfish' solutions according to the player under consideration.

Keywords. Distribution games; Rawls; Hicks efficiency; Maximin

John Dewey's Economics in Perspective: an Evolutionary and Ethical Account of Economic Life

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Abstract: This article focuses on the conception of economic life the pragmatist philosopher John Dewey developed mainly in his *Lectures on Political Ethics* (1896, 1898, 1901). We argue that his analysis of the nature and the role of economic processes found in these sources can shed light on latter, less theoretical and better known Dewey's writings on the criticism of social life in the 1920's and the 1930's. We will notably show that his conception of the economy is an integral part of his more general project of reconstructing social philosophy and at the heart of his ethical theory of the development of democracy.

Key words: John Dewey, social philosophy, economic processes, ethics of democracy

JEL code: B15, B25, B31, B410

Ruptures dans les pratiques de modélisation en macroéconomie : la théorie du cycle réel et ses opposants vus à travers la controverse Prescott-Summers

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Abstract. Dans cette contribution, je m'intéresse à la transformation du champ de la macroéconomie dans les années 1980. Plus précisément, l'objectif de ce texte est de mettre en lumière la dimension méthodologique de cette transformation, et la rupture dans les pratiques de modélisation en particulier. Pour ce faire, je vais m'appuyer sur la controverse de 1986 entre Edward Prescott et Lawrence Summers dans la *Federal Reserve Bank of Minneapolis Quarterly Review* (Prescott, 1986a, 1986b ; Summers 1986). Cet échange revêt un intérêt particulier car plusieurs enjeux méthodologiques de cette période y sont exprimés de façon explicite. Les arguments soulevés dans cette controverse sont en effet les termes d'un débat autour de la définition, de la construction et de l'usage de la modélisation en macroéconomie.

Je montrerai que la théorie du cycle réel (*real business cycle*, RBC) proposée par Kydland et Prescott (1982) se pose dans la continuité *méthodologique* du programme de recherche de Robert Lucas, tout en essayant de produire de nouveaux éléments de justification de cette approche. Sur ce plan, la feuille de route proposée par Lucas (1980) est, selon Prescott, couronnée par l'approche des RBC: « *We ask whether these artificial economies [les modèles RBC] display fluctuations with statistical properties similar to those which the American economy has displayed in that period. They do.* » (Prescott, 1986a, p. 9). Je montrerai que les arguments avancés par Summers dans le cadre de cette controverse visent au contraire à mettre en exergue l'incapacité des RBC à parachever cette méthodologie.

La correspondance entre modèle et données représente le principal écueil pour les nouvelles pratiques de modélisation issues de l'approche nouvelle classique. Il existe en effet une contradiction dans cette manière de concevoir le modèle : d'une part, on défend une modélisation abstraite et qui se revendique comme « fausse »; d'autre part, on attend de cette modélisation un pouvoir explicatif très fort, voire une correspondance parfaite avec les données empiriques. Ce « noeud » de la discussion me permettra de situer cette controverse au sein des discussions en philosophie des sciences autour du statut du modèle par rapport au « monde réel ». Je discuterai comment le cœur de la discorde entre Prescott et Summers peut être interprété à partir du débat lancé récemment par Reiss (2012) autour du « paradoxe de l'explication ».

A Missing Touch of Smith in Sen's Public Reasoning: The Man Within for the Man Without

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Extended abstract. This paper aims at introducing a missing touch of Adam Smith in Amartya Sen's view of "public reasoning". Since the publication of "Open and Closed impartiality" (Sen, 2002) and more extensively in *The Idea of justice [IJ]* (Sen, 2009), Sen claims to derive his theory of justice "from extending Adam Smith's idea of the 'Impartial Spectator'" (IJ: 134) from *The Theory of Moral Sentiments* (1759-1790). According to him, Smith's concept allows challenging standard approaches of justice, and more particularly, John Rawls' theory of social contract (1974), at least on two issues. First, it would be a mean to tear up the so-called "veil of ignorance", as it would emphasize the judgment of *real spectators* about what is a just society and not the judgment of an *ideal impartial observer*, in "the original position", about what would be a just society. Second, it would involve what Sen calls "*open impartiality*" and not "*closed impartiality*". These two challenging issues that Sen pretends to borrow from Smith constitute the founding principles of his comparative theory of justice. Now, Sen's tribute to Smith's pioneering concept of impartial spectator gives rise to a set of criticism from commentators. Some of them, related to the history of ideas, concern his interpretation of Smith's impartial spectator which is considered as unfaithful to the original concept (Gilardone, 2010; Forman-Barzilai, 2010; Bruni, 2011; Pico, 2012; Shapiro, 2011; Ege, Igersheim & Le Chapelain, 2013). Others, more internal to Sen's analysis, rather concern his uses of Smith's impartial spectator which is judged as a weak point of his comparative theory of justice (Shapiro, 2011; Ege, Igersheim & Le Chapelain, 2013).

In the paper, we try to address these two sets of criticism. We agree that Sen's reading of Smith is partial. However, we question the relevance of such criticism for his approach and his project. Concerning his approach, Sen does not pretend to contribute to the history of economic thought. He rather seems to draw inspiration from Smith to build his proper thought. Concerning his project, needless to say that it differs significantly from the one supported by the Scottish philosopher. Sen's project is normative as it aims at offering a new theory of justice in order to guide collective choices. On the contrary, in the *Theory of Moral Sentiments*, Smith's approach is rather positive: it aims at explaining the origin of moral judgments. Obviously, this involves major differences in each author's conception of the impartial spectator. While the Smithian concept denotes an abstract observer embodying the moral rules thanks to which we judge our own conduct, the Senian concept represents real observers whose point of view makes our common agreed beliefs evolve toward more justice.

We take for granted these differences and try to evaluate Sen's impartial spectators with regard to his project. Here again, we agree with commentators, and especially with Shapiro (2011), to say that Sen's conception of the impartial spectator leaves outstanding issues. One fundamental issue is that it does not explain how impartial spectators make commonly agreed belief evolve toward more justice. But contrary to Shapiro (2011), we do not consider this issue as a deadlock for his comparative theory of justice. We rather view it as an invitation to reasoning. This leads us to go back to the *Theory of Moral Sentiments* in order to look for a path of reconciliation between both authors. Despite major

differences, we find that Sen's interpretation of the impartial spectator is not altogether inconsistent with Smith's analysis. Though it does not correspond to Smith's concept, it is somewhat reminiscent of another figure from his moral philosophy: the "man without".

Now, going back to the *Theory of Moral Sentiments* does not only allow reconciling Smith and Sen. It also opens the path to address Shapiro's criticism to Sen's project. One of the issues of Smith's moral philosophy is to explain how men's judgments are able to evolve toward more impartiality. This process involves the interaction between two important figures of the *Theory of Moral sentiments*: "the man without", already mentioned, and what Smith calls the "man within", the genuine impartial spectator. According to us, the latter constitutes the missing piece of Sen's project. This is why we propose to introduce Smith's "man within" to supplement Sen's "man without" in the process of public reasoning which must lead us toward more impartiality, in collective choices.

To this end, in a first section, we recall that Sen's tribute to Smith appears in very specific context: a normative social choice approach to justice as an alternative to contemporary theories of justice. In a second section, we propose a Smithian reconstruction of Sen's use of the impartial spectator. And in a third section 3, we examine a possible use of Smith's genuine impartial spectator for a Senian theory of justice.

Endogenous money from Wicksell to today

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Extended Abstract. The recent consensus on inequality being a cause for the Great Financial Crisis (GFC) has opened up discussions revolving around the functioning of the monetary system. If inequality was a major factor in the GFC, through which channels did it interact with the macroeconomy? What was the role that credit bubbles played in the political economy of countries like the US, Spain or Ireland? With whom does power rest in the arrangements that produced the euro currency? How did countries finance current account deficits for so long and why was there no adjustment until the GFC? All of these questions have in commun to depend critically on the way that credit and money work. Lately, the view of endogenous money has gained widespread acceptance in academia. In order to understand the implication of this view it is necessary to formulate a monetary theory that allows one to discuss monetary macroeconomics and the role that inequality plays (See Berg/Ostry (2011), Fitoussi and Stiglitz (2009), Kumhof et al. (2012), Rajan (2010), Stiglitz (2012), UNCTAD (2009) and Stockhammer (2010) for a broad consensus of that view). The first broader exhibition of money being created by banks was put forward by Knut Wicksell (1898). Nevertheless, today's textbooks of macroeconomics do not contain this view and rather present money as something created and controlled by central banks. A recent discussion of endogenous vs. exogenous money put Steve Keen up against Paul Krugman, with the former's views now supported by a publication of the Bank of England (McLeay et al. 2014). We believe that the view put forward by Keen and the Bank of England as well as many others – often described as the banking school, in opposition to the currency school – is the correct description of modern monetary systems in the 21st century. The latter view stresses the scarcity of money, and focusses on the restriction of monetary issue to constrain the economy from diverging from some equilibrium. Whereas this view might have had some merit during the times of the gold standard, when the total amount of gold available for central banking and clearing purposes was indeed limited, it does not seem to hold explanatory power in today's monetary system. Central bank creates fiat money by keystroke, and there is no technical limit to the amount of reserves that a central bank can create. The same goes for commercial banks, which can create deposits by keystroke in the same way. Obviously, not all loans are repaid, and hence discussions of financial stability should focus on bank regulation, not on the scarcity of central bank money per se. After all, being in charge of financial stability did not give central banks the option to deny liquidity to a banking system that created billions of bad loans. Having all banks go bankrupt simultaneously by restricting access to liquidity is part of a central bank's playbook. The discussions of financial crises, lender of last resort function of the central bank, and other issues are embedded in the endogenous money approach, which focuses on the way commercial banks, the private sector and the central bank interact. If banks can create money endogenously, without having to come up with savings before making a loan, then central banks are much less powerful than is

commonly assumed. Their main tool consists of a set of short-term interest rates, through which they determine the price of money – the interest rate – for short-term loans and, through simple arbitrage, the price and yield of treasury bonds of the fiscal agent that belongs to that currency. The fiscal agent has a special role to fulfil since he can increase the amount of deposits in the private sector in times of economic distress. This is a pressing issue in the euro zone, where the inflation rate is far off from its target of two percent.

Taking a balance sheet view, this article focuses on endogenous money, reserve accounting, the balance of payments and the flow of funds to explore the implications of this view. Accepting the banking school's description of reality has consequences for many important issues, from the discussion of TARGET2 imbalances to the question of bankruptcy of a government or central bank, the explanation of current account imbalances, the functioning of austerity policy and in general the way that economic growth is generated. It is the goal of the mini conference to summarize the implications of the endogenous money for a wide field of monetary macroeconomics and adjacent disciplines. Although focusing on balance sheet accounting that can become quite technical, this article should also enable to discuss the possibilities of monetary systems, to address the proper questions. It is of foremost importance that academics and policy makers are informed about the capabilities and impossibilities that come with a modern currency. Therefore, we invite academics to submit papers on topics in which endogenous money plays a major role to discuss economic and social problems from the times of Wicksell unto this day.

A utility reading for the history of welfare economics

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Abstract. 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, and 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.

Keywords: Welfare economics, history, utility, interpersonal comparisons of utility, cardinality, ordinality, welfare