Adolph Lowe at Ninety One: An Appreciation

It is a special honor to recognize the unique contributions of Adolph Lowe, Professor Emeritus of the New School of Economic Research, with eight papers authored by an international group of scholars to commemorate his remarkably innovative career, which spans more than seventy years. Even in his earliest work, "Unemployment and Criminality," published in pre-World War II Germany, Lowe pioneered by introducing economic analysis into sociological inquiry. This was followed by his equally groundbreaking work "Economic Demobilization," which addressed the problem of aggregate economic planning, even before World War I was brought to a close. His 1926 paper "How Is a Theory of the Business Cycle Possible?" reflects another aspect of his concern with the behavior of economic aggregates.

During the 1930s Lowe again ventured into two novel areas of inquiry: his "Price of Liberty" (1932) marked the beginning of his lifelong concern about political freedom and his inquiry into "The Social Productivity of Technical Improvements" considered questions relating to technology that most other writers have appreciated only in recent years. The former theme is now being investigated further in his current work "The Challenge of Freedom," while the latter anticipated "The Path of Economic Growth" (1976).

Lowe's special insight as a methodologist and economic philosopher is particularly evident in "On Economic Knowledge" (1960), which is widely considered his magnum opus. Its objective is to address the limitations of conventional theory with respect to describing and predicting the behavior of the real world. The Lowe approach to highlighting the malfit between theory and reality is both original and unconventional: it is the real world, he maintains, and not theory which must be changed if a closer affinity is to be achieved between them. His chief claim is to identify the prerequisites for attaining order and continuity in a liberal democratic society. The proper role for economic theory, in Lowe's view, is to proceed beyond abstractions into the realm of a social control. This conception of the role of economic theory offers the possibility of altering human behavior to make it more compatible with a society which is relatively free, whether it is nominally capitalist or socialist. A second German edition of this modern classic has just been published, and Lowe's current work "The Challenge to Freedom" is now nearing completion.

The themes explored in the papers which follow relate broadly to the whole range of Lowe's multifaceted intellectual concerns. The first, by David Clark, places Lowe's contribution to capital and growth theory into historical perspective. It highlights the challenge to the Austrian interpretation of capital undertaken by the "Kiel Club," the German counterpart during the 1930s of Cambridge's famous Political Economy group. Lowe and his colleagues emphasized the superiority of the Keynes-Mars circular flow scheme of the production process as opposed to the linear interpretation presented by the Austrian school. Lowe's later work "The Path of Economic Growth" (1976) is, in many respects, a continuation of this earlier Kiel work, which was interrupted when the hostile political climate of the pre-World War II Germany caused him to seek refuge in the United States.

The critical question to which a substantial part of Lowe's efforts has been
addressed concerns the validity and implications of the premise, which has guided so much of economic thinking, that the method of theoretical reasoning required for social inquiry is not substantially different from that required in the natural sciences. Helmer Genesic's paper considers how Lowe's "Political Economics" challenges this premise, and proposes that the proper role for economic theory is the transformation of economic reality. More particularly, it is argued that the objective of Lowe's instrumental analysis is to delineate the path along which the economy must move to achieve its goals through control mechanisms that induce agents to behave in a more socially appropriate manner.

Edward Neil's essay complements those of Gordon and Gerassimov by reexamining the basis of Lowe's dissent from the behavioral models of the neoclassical mainstream in favor of structural models which, instead of purporting to depict what rational maximizing agents will do, represents what they should do if the economy is to achieve specified goals. Lowe's instrumental analysis thus harkens back to the concerns of the classicals whose focus, unlike that of the neoclassicals, was not on the clearing of markets, but on the conditions which must be met if the system is to continue to function over historical time.

Lowe also pioneered in the construction of growth models based on his unique adaptation of Marx's two-sector model. An important application of this type of model concerns the problem of the choice of techniques. Joseph Halvi undertakes a comparative study of the alternative approaches of Maurice Dobb and John Hicks to the choice of techniques problem with a view to identifying the way in which they relate to Lowe's model. Harald Hagemann and Albert Jack focus more specifically on Lowe's analysis of the process by which free market economies move from one equilibrium to another and the implications of their experience for mixed economies which have reached economic maturity. Lowe's model is also relevant for the practical problem of economic planning. Bruce McFarland examines this aspect of Lowe's research. His paper "Economic Planning and Adolph Lowe's Economic Perspective" explores the problem of planning with particular reference to recent developments in China.

Lowe's analysis also opened new vistas for understanding the process of innovation. As examined by Maria Amendola, Lowe's perception of the process through which productive capacity is transformed is envisaged as pioneering a whole new area of theoretical analysis by providing a way for examining the respective roles of capital and labor in the process of innovation. Lowe's insights into the labor and capital displacing effects of technical progress are further explored by Heinz Kurz, whose paper also examines the similarities between Ricardo's famous additional chapter on machinery and Lowe's approach to the machinery problem.

This undertaking to honor Professor Lowe for a life dedicated to scholarship and devotion to humanity owes much of its inspiration to Edward Neil of the New School for Economic Research, through whose efforts these papers were marshaled and brought together. We both wish to acknowledge the coordinating assistance of Theresa Annett.

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CONFRONTING THE LINEAR IMPERIALISM OF THE AUSTRIANS: LOWE'S CONTRIBUTION TO CAPITAL AND GROWTH THEORY.

David Clark*

INTRODUCTION

The smoke has disappeared from the battlefields of the Cambridge Controversies on Capital Theory, but the reasons for the conflict have not evaporated, nor have textbook expositions of the Neo-Classical parishes been radically altered. Those familiar with similar skirmishes are not surprised at this outcome. Certainly there are signs of some humility amongst certain supporters of Cambridge on the Charities, as reflected in their call for more tolerance towards non-neo-classical visions (Hicks, 1977 and Dixit, 1977) but, in general, the battle-line are still well delineated. Calls for a golden harmony in steady-state reconciliation are premature, if not naïve (Weintraub, 1978, 330). What is most needed is closer critical examination of the differences between the various camps.

Two issues, in particular, deserve special attention: the crucial importance of interdependencies and the level of aggregation used to analyze them -- issues which are much more important in a dynamic than a static situation and the fact that real world dynamics involve changing information and sequential decisions, as prices do not adjust instantaneously and expectations are over changing. Both issues were discussed long before the latest flowering of debate. Those familiar with institutionalist critiques of Neo-Classical price theory are well aware of the long-standing debates on the second of these issues but the first is much more neglected. Contributions by those outside the neoclassical mainstream to the analysis of interdependencies which are a product, net of exchange relations, but of the physical structure of production, thus deserve special attention.

John (formerly J.R.) Hicks (1973), in a retrospective discussion of Austrian capital theory, in which he dissociates himself from the Production Function School, the American version of Neo-Classical Theory and from key aspects of his Value and Capital, admits that since the 1930's too little recognition has been given to the problems of dealing with fixed capital in an Austrian framework (ibid., 193, 193).

I wonder how far it is the case that the input-output network came into the consciousness of economists before the 1920s. I doubt if it is in Wales I suspect that it does.

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