

Robbins' *Nature & Significance*
and the
M²T Seminar

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N&S at 75

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1. Introduction

- de Marchi (1988) has already provided a detailed account of the Popperian aspects of the M²T Seminar, so I will avoid that area.
- I attempt two things:
- First, I examine Chapter V and discuss Robbins views on empirical studies and speculate on these views in relation to his knowledge of statistical theory.
- Secondly, I discuss some of the published output of the M²T Seminar as a response to Robbins methodological position and consider the overall impact of the Seminar.

2. Robbins and Applied Economics:

- **Robbins on Estimation:**
- Robbins advances a long list of hypothetical reasons why estimation may not yield the 'truth', but doesn't address his criticisms at actual studies. Thus:
- The 'wretched' Dr Blank and the Demand for Herrings (Robbins *N&S*).
- The mythical Schmoller student ...Robbins (1938).
- The exception is Robbins (1934), which criticises Henry Schultz with his 'employment of subtle statistical methods'. This was a poor choice, as Schultz is generally recognised to be a pioneer in solving a number of basic econometric problems.

Enter Dr Blank

- A simple illustration should make this quite clear. Let us take the demand for herrings. Suppose we are confronted with an order fixing the price of herrings at a point below the price hitherto ruling in the market. Suppose we were in a position to say, “According to the researches of Blank (1907-1908) the elasticity of demand for the common herring (*Clupea harengus*) is 1.3; the present price-fixing order therefore may be expected to leave an excess of demand over supply of two million barrels”. How pleasant it would be to be able to say things like this! How flattering to our usually somewhat damaged self-esteem *vis-à-vis* the natural scientists! How impressive to big business! How persuasive to the general public!

The 'Wretched' Dr Blank (1)

- We are not told *why* Dr Blank estimated the elasticity of demand for herrings. He may not have intended it to be taken from the Narrow Domain to the Broad Domain. So Robbins may be using this estimate quite incorrectly by generalising as he does.

The 'Wretched' Dr Blank (2)

- Now, of course, by the aid of various devices it is possible to extend the area of observations over periods of time. Instead of observing the market for herrings for a few days, statistics of price changes and changes in supply and demand may be collected over a period of years and by judicious “doctoring” for seasonal movements, population change, and so on, be used to deduce a figure representing average elasticity over the period. And within limits such computations have their uses. They are a convenient way of describing certain forces operative during that period of history. ... If we wanted to be helpful about herrings we should never dream of relying on the researches of the wretched Blank who was working in 1907-8. We should work the whole thing out afresh on the basis of more recent data. (pp. 107-109)
- I suspect that most readers would agree that if more recent data were available, it would be best to re-estimate the elasticity and not rely on a study of one year from over twenty years earlier. Thus the wretched Blank is something of a red herring and might well feel ‘wretched’ as a result of Robbins taking his results out of context.

2. Robbins and Applied Economics:

- **Quantitative Economics Bad**
- There is no formal definition of 'Quantitative' Economics, but Robbins is clearly criticising what he sees as 'Measurement without Theory'.
- He is particularly critical of Wesley Mitchell of the NBER who calculates an average "of the duration of all cycles and a logarithmic normal curve is fitted by Davies' Method to the frequency distribution of the 166 observations involved. What possible meaning can inhere in such an operation?"

2. Robbins and Applied Economics:

- **Realistic Studies Good:**
- No formal definition given of Realistic Studies, but Viner (1924) and Tausig (1929) are cited as good examples. Neither is as deferential as Robbins is towards pure theory and both argue strongly for a role of induction in economics.
- What emerges is that Robbins was a 'verificationist' in his approach to applied economics.

Robbins knowledge of mathematics and statistics

- **Mathematics:**
- As an undergraduate at LSE, Robbins had a choice between a course in Mathematics or Logic and Scientific Method and chose the latter. In his autobiography he reports that, while he was teaching in Oxford, G.H. Hardy arranged for him to learn some calculus.

Robbins knowledge of mathematics and statistics

- **Statistics:**
- As an undergraduate at LSE Robbins was supposed to attend a course in Statistics, but it 'seems' that he didn't attend much of the course. Even if he had, he would not have learned much about the theory of estimation and hypothesis testing. Beyond this, there is no evidence of any further study of statistical theory.
- From his work as a research assistant to William Beveridge and through membership of the Editorial Committee of the London and Cambridge Economic Service from 1929 he was experienced at interpreting and evaluating economic data in the form of charts and tables.

Robbins knowledge of mathematics and statistics

- **Publications:**
- A survey of the articles, books and book reviews published by Robbins up to 1935 shows a strong preference for pure theory and very little reference to statistical data even where they might have been relevant.
- The exception to this pattern is in Robbins' analysis of the Great Depression, where he assembled a mass of statistical material to 'verify' his theory.

The M²T Seminar

- **Foundation:**
- According to Dick Lipsey (Lipsey 2000) his dissatisfaction with Robbins' methodology started as an undergraduate in British Columbia in the late 1940s when he read the *N&S*. Other founder members were Chris Archibald, Kurt Klappholz, Kelvin Lancaster and Maurice Peston. KK was a link to Joseph Agassi, a colleague of Karl Popper who inducted the group into Popperian methodology.
- Having absorbed the message of Popper, two things were necessary:
- First, to develop the methodology and apply it to economics theories.
- Secondly, to use the methodology to test economic theories empirically.
- The different interests of members of the Seminar as Methodologists (Archibald, Klappholz and Lancaster) and Testers (Lipsey and, later, Steuer, Corry and others).

The M²T Seminar

- **Methodological Studies:** There are two studies of particular interest I will mention:
- **Archibald versus Chicago:**
- Archibald argued that whereas Friedman's methodological position was that one should judge a theory on its predictions and not on its assumptions, in criticising Chamberlin's Theory of Monopolistic Competition Chicago criticised the assumptions and not the predictions. He then set out to derive predictions from the Chamberlin model, but was unable to discover any qualitative comparative static predictions to test. The Chicago response from Stigler and Friedman was short and dismissive.
- **Lancaster and Qualitative Predictions:**
- Whereas Archibald considered particular models, Lancaster (who was the mathematician in the group) set out to seek more general results. Starting from the general functional form of a model (rather than specific equations) he was able to derive numerical counting rules to determine the necessary and sufficient conditions for a model to yield testable predictions.

The M²T Seminar

- **Empirical Studies:**
- **Background:** Undergraduates in the majority and no taught MSc courses. Difficult for economics students to take courses in mathematics and statistics. There was an econometrics course (of sorts) taught in the Statistics Department, but it was not formally available to economics students. No computer and very limited computational support for empirical work.
- **Lipsey and the Phillips Curve:** Lipsey provided a method of running linear regressions that could approximate very closely the non-linear Phillips Curve and also set out to supply a theoretical foundation that was missing in Phillips original article and tried to explain the cyclical 'loops' in the observations around the fitted curve.
- **Lipsey and Steuer testing Kaldor:** Kaldor had suggested an alternative explanation involving profits to explain the relationship between the rate of change in money wage rates and unemployment. Lipsey and Steuer set out to test Kaldor's suggestion on the grounds that "Kaldor's counter-explanation gives us a real chance to subject the Phillips theory to a serious test in which it was a real chance of being refuted." This article is interesting as it provides an early example of comparative testing of alternative theories and predates the theoretical work on testing Nested and Non-Nested Hypotheses that developed in the 1980s.

The M²T Seminar

- **A potential teaching development from the Seminar:**
- In the 1962-63 Session at LSE a number of members of the M²T Seminar introduced a **Course and Seminar: Case Studies in Measurement and Testing in Economics** that was optional for graduate students. This was intended to introduce such students to the need to test the predictions of theories rather than discussing the plausibility of assumptions. The course was repeated in 1963-64, but then dropped for reasons to be outlined below.

The M²T Seminar

- **The decline of the Seminar:** The distinctive Popperian flavour of the M²T Seminar did not last long. Among the reasons were (i) changes in the personnel in the Economics Department and (ii) major changes in the structure of teaching.
- **Exeunt (fere) Omnes:** Some of the key members of the seminar left: Lipsey and Archibald to the new University of Essex, Peston to Queen Mary College (London) and Lancaster to Columbia University. Robbins became a part-time Professor and was greatly involved in the Committee on Higher Education, while Frank Paish and Arnold Plant, neither of whom had been particularly positive with respect to modelling retired in 1965. One important arrival was Denis Sargan, who was appointed Reader in Econometrics in 1963 in the Statistics Department and transferred to a Chair in the Economics Department in 1964.

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The M²T Seminar

- **Changes in degree structures:** There were important changes
- **Changes in the BSc(Econ):** In 1963 the BSc(Econ) was restructured and the new degree made some Statistics compulsory for economics students.
- **Introduction of the Taught MSc:** In 1964 the Taught MSc was introduced with a compulsory course in non-technical econometrics.
- These changes meant more students with a knowledge of statistics and also more staff with this knowledge.

The M²T Seminar

- **The Final Years of the M²T Seminar:**
- The M²T Seminar continued for several years with Max Steuer as the Chair. The Popperian fervour had gone, but the members of the Seminar continued to look for theoretical underpinnings to applied analysis, rather than mere 'empirical' work. With a growing movement of economists into specialist groups and seminars in these branches of economics, a general seminar gradually lost much of its appeal and the M²T Seminar finally closed.

4. Conclusions

- The establishment of the M²T Seminar in the late 1950s was very much an LSE phenomenon that reflected the lasting power of Robbins methodological position as presented in the *Nature & Significance*. It was also an LSE phenomenon in the sense that the founders of the Seminar looked to Karl Popper to provide the alternative methodology.
- We live in a time where there are few problems of data shortage, computing power is virtually unlimited and there is a vast output of applied econometric studies. A large proportion start from an equation (or set of equations) that are not derived from a formal theoretical model, but presented as being 'plausible' representations of common sense assumptions about what might affect the phenomenon being considered. Looking at many of these studies, one might feel some nostalgia for the days of the M²T Seminar and its attempts to deal with such 'Measurement without Theory'.