



# James Anthony Lawson on commercial panics and their recurrence

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## ABSTRACT

In a paper read in 1848 before the Dublin Statistical Society, James Anthony Lawson propounded a theory of commercial crises based on a credit–overtrading–speculation mechanism. This view was quite widespread at the time, but it was couched in an original reinterpretation of the causal relationships. Lawson's epistemic premise that laws must be universal and that similar causes must entail similar effects implied that crises were no longer seen as disconnected events but as instances of the same class of events. This was one of the most important ingredients in the transition from the theories of crises towards theories of the business cycle.

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## 1. Introduction

The outburst of the 1847 panic added further evidence to what many people already suspected after witnessing the 1825 and 1837 crises: that such events cannot be attributed to factors external to the economic system, but are endogenously generated and tend to recur with some regularity. Such a view was far from being universally shared, but the number of voices raised in its defense was increasing rather fast. It is in this context that on 15 May 1848 James Anthony Lawson read a paper “On commercial panics” before the Dublin Statistical Society, published in the society's transactions, reprinted as a brief pamphlet by the Society and in slightly abridged and revised versions in the *London Bankers' Magazine* and in *Hunt's Commercial Magazine* (Lawson, 1848, 1848a,b).<sup>1</sup>

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<sup>1</sup> The two magazine versions indicate “From a paper read before the Dublin Statistical Society, by James A. Lawson, Esq.”. They are identical to each other (except for a few alterations in the punctuation), but bear some difference with the Dublin version. The most relevant one is that they omit

Lawson's piece, apparently his only contribution to the lively debate on crises, is of considerable interest in spite of not having been explicitly referred to in the literature<sup>2</sup>—not even in von Bergmann's (1895) most accurate and complete rendition of the theories of crises in the XIX century—with the exception of a brief and unqualified remark that the paper on panics “contains some valuable observations, if no complete explanation of these phenomena” (Black, 1947,

the first page of the original speech, corresponding to the first two full paragraphs. While the Dublin version retains the colloquial form and is directly addressed to the audience, the two articles are made impersonal. There are a few additional minor alterations and mistranscriptions.

<sup>2</sup> Lawson is cited very sparingly altogether. The most generous reference is found in Black (1945), where it is lamented that after the brief remark in Ingram (1888) (p. 142, probably taken up by Gonnard, 1930) Lawson's “work has attracted no attention whatsoever” (p. 144). The reference to Lawson in Smith's (1935, pp. 24–25) account of “Some nineteenth-century Irish economists” is limited to a few biographical notes. Moss briefly discusses Lawson's views on the theory of distribution and on the theory of value, maintaining that “apparently Lawson was one of the earliest British economists to argue that it is utility and utility alone that regulates market price”, with reference to the influence exerted by Mountiford Longfield on Irish economists (Moss, 1976, pp. 46 and 111–112).

p. 62) and of a one-paragraph reference by Gordon (1956, p. 445) taking Lawson's paper as indicating "the degree to which much informed opinion had come to reject the world of Say and Ricardo".

In this essay I argue that the value of Lawson's paper lies not so much in the specific explanation of commercial panics he offered, which was in fact quite common at the time, but in his epistemic reflections on crises theorizing. Lawson maintained that political economy, similarly to natural sciences, builds on a belief in the principle of uniformity of nature, which suggests that the causal principle applies in the form that similar antecedents are followed by similar consequents. The laws of economics must therefore apply to all situations, including crises, which should not be treated as exceptions. By focusing on the common features of crises more than on their differences, he interpreted them as a class of events rather than as disconnected instances, thereby laying the ground for one of the major steps towards the transition from the theories of crises prevalent in the first half of the XIX century towards the theories of cycle that emerged towards the end of the century.

After giving a brief biographical sketch of Lawson (Section 2) and summarizing his explanation of commercial panics (Section 3), this article places his contribution in the context of the development of crisis theories towards the middle of the XIX century. Section 4 cursorily surveys some antecedents of Lawson's credit theory of crises, showing how such a view was well established at the time and pointing at its intrinsic limits. Section 5 in turn focuses on the innovative part of Lawson's contribution. It first discusses how a theory of crises was excluded from the premises of economic theory as emerging from the gluts debate, unless such events were considered either as the result of exogenous factors or as the result of some temporary maladjustment. It then shows how the fact of recurring crises was recorded by several observers, who by the time of Lawson's writing had already stressed the similarities in the development of such events and even started to describe a common morphology. Before reconstructing Lawson's reflections on the issue, an account on his views on the uniformity of nature and on causation is given. These were applied to the paper on crises bringing him to distinguish between a true cause of panics and the various proximate causes capable of occasioning one or the other event but not of explaining it in full. Section 5 also discusses similar views, some partially advanced before Lawson's article and some taken up later by the writers who are traditionally depicted as the founding fathers of business cycle theory.<sup>3</sup> In the concluding section, an assessment of the importance of the path Lawson contributed to opening is attempted.

## 2. Lawson and the Dublin statistical society

James Anthony Lawson (Waterford, 1817–Dublin, 1887) was educated at Waterford endowed school. He entered

Trinity College in Dublin in 1833, where he was elected a scholar in 1836, and was a gold medalist in 1837 with firsts in Ethics and Logic. He graduated BA 1838, LLB 1841, and LLD in 1850. He was elected to the third chair of political economy at Trinity (1840–1845). The professorship, founded and funded by archbishop Whately in 1832,<sup>4</sup> was tenable for 5 years and was at the time located with Ethic and Logic. As well as his predecessors (Mountiford Longfield and Isaac Butt) and immediate follower (William Neilson Hancock), Lawson seems to have belonged to the group of "Irish dissenters" from the Ricardian theory of value pursuing instead a subjective utility approach,<sup>5</sup> although his position on the subject was not expounded in full in print and can only be inferred from fragmentary observations included in his *Lectures on Political Economy* published in 1844.<sup>6</sup>

In October 1847 on the initiative of Lawson's successor at the Whately chair, Hancock, and of Whately himself, the Dublin Statistical Society was founded; since the merging with the Social Inquiry Society in 1855, the society was renamed the Statistical and Social Inquiry Society of Ireland. Lawson and Hancock were the joint Honorary Secretaries; Lawson retained the position until 1851, then again in 1852–1855, and was the fourth President in 1870–1872. He was the first to read a paper, "On the connexion between statistics and political economy", and a year later he delivered the paper on Panics.<sup>7</sup>

In 1849, the Statistical Society was entrusted by the Barrington Trust to administer and promote popular lectures in political economy. Lawson was among the first Barrington lecturers, charged with holding three courses in provincial towns and one in Dublin. He held courses in Belfast (1849–1850), Enniskillen, Tuam and Dublin in 1851–1852 (*Dublin Statistical Society, 1853*). The latter, at the Royal Dublin Society, is recorded to having been very

<sup>4</sup> On the establishment of the chair and the selection process of the first two holders see Murphy (1984).

<sup>5</sup> This is also apparent from the reading list Lawson recommended to candidates, which included: Longfield's *Lectures on Political economy* (1834) and *Three lectures on commerce and one on absenteeism* (1835); Whately's *Introductory lectures on political economy* (1832); Senior's article 'Political economy' in the *Encyclopædia Metropolitana* (1836; later to be elaborated into the *Outline of the science of political economy*); after this, Smith's great work, to be corrected where necessary through an acquaintance of Ricardo's treatise, McCulloch's *Sketch of the life and writings of Adam Smith* (1828), and Chalmers's *Political economy, in connection with the moral state and moral prospects of society* (1832). Besides the general principles, Lawson also taught each year a different monographic course (Boylan and Foley, 1992, pp. 30–31).

<sup>6</sup> Black (1945); for further discussion on the Irish dissenters in the light of the intervened debate on Longfield's position (see Black's survey, 1984).

<sup>7</sup> Lawson thus inaugurated (contemporarily to Danson, 1848) a tradition of important papers on crises. Some of these were read before statistical societies (members of the Manchester Society were particularly prolific on the subject: Langton, 1857; Williams, 1858; Mills, 1868, 1871; Helm, 1873, 1878). Jevons was an active participant in the Manchester Society and some of his early papers on fluctuations—Jevons (1865, 1866)—were printed in statistical journals. Jevons (1878b) was printed in the Dublin Society's Journal. Other papers to be listed include Walley (1858), Patterson (1870, 1871) and Chubb (1872). Other important papers on crises were read by founding members of statistical societies (Juglar was one of the founding members of the Société de Statistique de Paris in 1860 and was one of its presidents, and was likewise a member of the Royal Statistical Society and of the International Institute of Statistics).

<sup>3</sup> The history of the transition from crises to cycle theories is much more complex than usually depicted, but this is not the place to discuss it. On Juglar, however, see Besomi (in press-b).

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