Titel: Archief Elisabeth Carolina van Dorp

Archief: IAV_00000382

Inventaris: 0555
Dear Miss Van Dorp,

Please forgive me for not having replied to your letter until now: I have taken a position here in the United States, and in consequence my correspondance has been considerably disorganised.

I am sorry that the three thousand miles which separate us will probably prevent us meeting for the argument I am sure we should both enjoy: I am sorry, also, that the great pressure of teaching work in this place prevents me from engaging in lengthy correspondance. However, I hope to be back in Scotland again next summer, so that perhaps I may have an opportunity of expounding my points of difference somewhat further next summer.

I enjoyed reading and reviewing your book, and I am glad that you did not find the review too unfriendly: it is, of course, impossible to state one's position accurately in a few hundred words.

Yours Sincerely,

K. E. Boulding

Ann Cullen sent

18 Dec 1938.
Dear Professor Boulding,

Thank you very much for your letter of the 17th December. I understand fully, that you are very busy and am not going to try to engage you in further correspondence. Indeed, I hope to see you and if possible, some more Scotsmen this summer in Scotland. I have the serious intention to travel there. I have been in London for two months and am now going to travel for a month or two in Italy. I also hope not to leave Switzerland before having had a discussion on my work with Prof. Mises in Geneva, as he planned already last year.

I shall then probably return to England and afterwards to Scotland. I also hope to see some Italian economists, I heard a very fine review in the Giornale degli Economisti.

As now however it is not only of importance, that you teach, but also what you teach, may I ask you to consider some remarks I should like to make in the meantime? You will have seen from my book, that to my mind, it is of the highest importance, that clear thoughts on the fundamental economic problems are going to prevail, and that as soon as possible.

First: will you consider, that you (as at least I presume) are young, and that I am old and have given a lifetime to economic thought.

Secondly: you will not deny, that we do not possess an acceptable theory of profit. So, if I present one, you can only refuse to accept it when you are capable of refuting it. Try to do that downright. But if you cannot accept it. To say: to my mind it ought to be, etc. is no refutation.

Thirdly: I have been highly surprised that you have not found a system in the book, as it contains nothing but system and systematical criticism, and already in the opening expounds the whole system. The queer thing is, that at the same time you object, that I am naive. The standing objection against people who present a system! Of course a system looks naive. As it contains just as little details, as you describe a man's life in describing the bones he has in his body. You may be quite sure that I am not a bit naive in this way. I know quite well that reality is most complicated, and have said so on different occasions in the book.

But if you want to make a system at all, if you want to construct economic theory at all, as a matter of fact you must generalise.

Fourthly: I recommend to your attention, what I said in my former letter about the idea of constructing a theory of profit on the single enterprise.

And fifthly: I want to repeat in a nutshell my system; as I am very sorry indeed, that you have not conveyed this system to the readers of your review at all. This my most serious complaint against you!

I have made the wage fund concept the principal concept in the theory of distribution, at the same time showing that it is incompatible with the fundamental idea of present day distribution theory: that the factors of production get a share of their future product, corresponding to their share in the production; the source of so much controversy!

My criticism of all the theories originating from the wage wrong concepts are no occasional flashes of insight, but all originate from the systematical basis.

Yours faithfully,

19 June 1938.

Permanent address:
Katwyk aan Zee,
Terrein Zeehospitium.
Holland.

Dear Professor Boulding,

I see forward with great pleasure to meeting you this summer in Scotland.

At this moment I am going off to the continent at once as my brother wants me as a companion for a motortrip to Austria and Switzerland.

My intention had been to go to Scotland as early as middle July; it will now not be before the end of that month.

I hope therefore very much to hear from you before that time when and where I can meet you. I am also very anxious to see Prof. Fraser if anyway possible. Could you not arrange some meeting of Scotch economists altogether?

I have the impression that more is to be expected from Scotch than from English side towards clearing the fearful muddle we are in.

I have just finished a criticism of the articles of Kaldor in Econometrica. It is fearful what that man writes. Poor London undergruates.

Yours sincerely,
Chalicodoma, Clarens, 25 September 1937.

address from 1st of October:

Katwyk aan Zee, Holland.

K.E. Boulding Esq.
University,
Edinburgh.

Dear Sir,

I am very much pleased by your sympathetic review of my book, and want to thank you for it. As a matter of fact this is not a personal gratuity, but on account of the help your review will give to the cause of truth which I try to serve, and to my editor, who had the courage to publish a book which had every chance against it, simply because he himself found it a good book.

Yet, as a matter of fact, and as you will understand I don't agree with every part of your review, as you don't agree with the positive theory I have set out and which I consider to be of the utmost importance.

To my mind the interest-problem, as it is wrongly called, is the most fundamental problem of economic theory, and I frankly admit that I believe to have given the right solution; to have explained as much as can be explained. Will you therefore permit me to open a discussion on the subject with you?

I should like to discuss three points. First, that my theoretical expositions would be "sketchy" and only occasional flashes of insight, instead of systematic exposition; also that my views on the problem of unemployment would be naive.

This is a criticism which is often given of abstract theory. Let to my mind, it is wholly unfounded. Theory is always "sketchy," and may seem to be naive; yet it is not such. Theory only gives the bones of reality. The flesh it cannot give. It can only give, and it must give, some lines by which reality can be explained and understood. It cannot give all the details of reality. That is history, description.

I know full well (and have repeatedly admitted it in my book) that reality is much more complicated; that the this-week-next-week exposition is nothing more but a simplified representation of reality. The question is only if it helps us to understand the problem why and how there exists profit and loss, and this it does. Other explanations were just as "sketchy" and "naive" for instance the one of B.B. The difference is, that they were wrong, and that mine is logic and systematic.

I am rather astonished, that you say as well that I am too sketchy, and that I am unsystematic, because the thing is, that I am sketchy, because I have only put up a system. I am really astonished that you have not seen the system of my book: I could never have summarized my book, if it were not systematic. If B.B. had tried to do this, he would have obliged to see his lack of system. The thing is simply, that you don't agree with my views, but I feel certain, that you
would not find one logic flaw, if you tried, and that is the only
gauge one may apply to a book like this one.

I now come, secondly, to the only objection you pronounce
against my system. You don’t show that there is anything wrong in my
theory, but you say that “a theory of capital must surely start with a
clear concept of the nature of capital and of the rate of profit in
an individual enterprise.”

I don’t agree with you, as far as I can see, the concept of
individual capital and profit is very simple, and known to everyone.
It needs no elucidation. But let us say, it does. Then this definition
which for instance, E. B. takes as known, does not bring us one step
nearer to the problem we want to solve: why does not labour get all
the product; why is there a part for “capital”, for not-labour, and do
this happen.

The proof of the pudding is in the eating: we want no doctrinari
constructions, but simply the answer to these questions. And I
venture to say, that I have given them.

It is not clear to me if you mean to say, that in order to solv
the problem, we must start from the problem of the individual profit.
If you mean to say this, I entirely disagree. Starting from the indivi
dual entrepreneur, we are at once put before the problem of cost; wage
are a given factor to the individual entrepreneur, but not to all en
trepreneurs together. We have to explain wages, that’s the heart of the
problem, and we can never do that if we don’t begin with capital and
labour taken as the two factors, without distinguishing between indi
vidual entrepreneurs and labourers.

After having solved the original problem, we can go on and try
to see as much as is possible of the reasons of individual profit or
loss, this however has been dealt with abundantly. It is rather “histo
ry” than theory.

Thirdly: you see in the treatment of the rate of loan in
terest a suggestion of current Cambridge doctrine.

To this I should like to say: we in Holland are rather as
tonished that Mr. Keynes’ treatment of loan interest, as being managi
ble authorities is considered to be something new. We have always fo
und this to be the quintessence of the old English currency-theory.
As I suppose you know, this theory has been adhered to by Pierson,
who has been the man with the greatest influence on dutch
economic theory; and has since entered into common Dutch theory. I ha
myself never had another opinion. Wicksell then has admirably shown
the fundamental connexion between loan interest and capital profit:
as a matter of fact, I don’t agree within in details, but his funda
mental concepts are to my opinion quite right.

If Keynes had grasped then, he could never have conceived
the theory he has now expounded. And that debate is about the rate of
interest as being either determined by the monetary authorities or by
“supply and demand” such as I attended one at Cambridge between Key
nes and Hansen, are still today held in England, show that Wicksell
has generally not been grasped there, and that the central idea of th
currency-school: that money is manageable, has not lost there.

I may perhaps add, that I came to Cambridge because I want
ted to write about my theory in English and have the quiet atmosphere
of a university town. I have hardly seen some people I knew a little:
as D. M. Robertson. I came with the idea of my book all ready in my
head, and there is nothing of “current Cambridge doctrine” in it but
that, which that doctrine has in common with the currency-school. And, as I put on record in the preface, I published my ideas already six years ago.

I wonder what you mean by saying, that I underestimate the importance of the concept of the period of production. If you mean to say, that this is a very important thing to the individual entrepreneur.

I quite agree, as to theory however, I consider it to be of more value. The history of the development in my own mind of my ideas, is just as simple as I have told in the book. I saw that Marx was not logic, and did not see the interest problem, and that B.B. did not do, but could not find the way out.

Then, after having been haunted by the problems, that had put themselves before me, and having read about anything that I had written about them without result, my attention was at one moment drawn by the wagefund-theory in B.B. I then found myself unable to refute that theory, which I had been taught to consider as wrong. It lead me on the right path, and I gradually found, that that path led me to a solution of all the puzzles, that had dressed themselves before me.

You will perhaps note, that one of the good things of this theory is, that one concept of capital covers as well individual as social capital.

I speak of "my" theory for shortness sake, not out of any arrogance, I know too well what I owe to others.

I should deem it a great advantage if I could discuss the ideas in Scotland. I intend to cross to England again in the beginning of October and to stay some time in London; but if you would be interested in a discussion of the subject at Edinburgh and could arouse the interest of others, I should like to come to Scotland. Surely the book has found the best appreciation in Scotland. Perhaps because it has attacked London and Cambridge doctrine? and Scotland is not a party in that combat?

I hope you will enter into some further debate.

I remain yours truly,
Dear Mrs. Van Dolf,

I am sorry if I appeared
despondent im not writing to you this summer. The
explanation is that I did not return to Britain
as I intended, but spent the summer here.

I am sorry also that I can't
spare the time now. Having a 20-
hour teaching load, to give you a detailed account
of my criticisms of your book. When my own work on this
topic is complete I will be glad to communicate with
you; at the moment I can only say that to state the
problem in terms so general that they do not correspond to any
real decisions which people consciously while sometimes
helpful, is not wholly satisfactory. Entrepreneurs do not
"divide" their incomes between "consumption" and "investment",
which they can pay out in a given time on have two things
is not dependent on their personal receipts, but on their ability
to borrow. We must have an adequate Theory of the firm
before we can have an adequate Theory of General Equilibrium. This
I feel, perhaps you or anyone else up to the present has
solved: unless we can link accounting practice with
economic theory we will get nowhere.

If you feel I was unjust in my review,
I am sorry; I do not myself feel that in the 500-word
limit imposed on me I could have done more. I do not claim to understand these problems or formal equilibrim perfectly; and while I found your book interesting and stimulating, I did not feel that it gave me complete understanding either. I may, of course, have done you an injustice; if so, that will redound to my discredit, not to yours.

Yours sincerely,

Kenneth E. Boulding
Dear Professor Boulding,

Thank you very much for your letter. By some misunderstanding I was under the impression that you had been in London. Of course I should have liked to see you, but I fully understand that you preferred not to cross so soon again.

Please don't be under any misunderstanding as to your review. I found it sympathetic, honest, serious, and just because of that I should like to discuss matters with you because we must come to some solution; science is in too miserable a state today.

I write under the heavy stress you are. Nevertheless I think we can get on quite a little step, as your remarks are the consequence of a certain misunderstanding.

Your remarks concern not a material matter but method. Any one who uses generalisation is quite aware that this can never explain the whole of reality. The question is however whether we want generalisation for the first approach. And this to my mind we certainly do.

You will never come to a clear understanding if you don't first of all think in whole categories: labor, entrepreneurs. In doing this, and independently, going to the root of things, I already made great progress. I am afraid you have not fully realised this. I have first of all found, that it is easy to solve what up till now seemed to be unsolvable: the problem why labor did not get the whole product of labor. Secondly I solved the savings question. All this involved that there can be no question of an equilibrium, but that the nature of economic process is lack of equilibrium; this removes the main stumbling block in industrial fluctuations theory.

Now of course I should also like to go on and explain also as far as this possible (for reality is a very arbitrary thing and so far evades theoretical exposition) industrial fluctuations. You will attack this problem all at once, entering at once into full reality. I guarantee you that you will not succeed.

You advance against me, that what entrepreneurs can pay out is for a great part dependent on what they can borrow, viz, on their money disposition. I fully agree; this is already proved, that it is no argument against me. For does it in the least invalidate, that there are only two ways of disposing of an income: consumption and investment?

To enter so far as possible into the matter how the different incomes get into existence and into the theory of money will be the aim of the book I am now going to write and which I hope, with God's help to bring to a conclusion.

Anyhow, I have already refuted the perfectly mad proposition of orthodoxy, that there would be a third way of disposing: not consuming or saving.
It seems to me that you don't realize the importance of this
discovery. About all that is nowadays written in the Economic
Journal and by all the Keynes admirers can be scrapped as soon
as it is realized that this third disposition does not exist.
I suppose, this is the reason that these gentlemen prefer to
ignore what I have written.

I hope you will reconsider what I have written
here. I am old and shall very soon be no more there to fight
for truth and honesty in science. You are young and you are
honest. So I hope you will be one of the furtherers of science
in times to come.

Yours faithfully

Please realize, that I have emphatically not promised a theory
of industrial fluctuations, but a foundation, a first approach.
Already B.B. said: a theory of fluctuations will be the final
step. This is true.

You say, that real decisions, of which people are con-
scious must be taken into account.

Quite true. Every theory starts from the fact that en-
trepreneurs want to gain money. But it has also to take into
account what is the general result as to the whole category of
entrepreneurs of these individually conscious operations. It is
that the existing stocks of commodities are divided between
entrepreneurs and labour; and that the more they want to in-
vest, the more the advantage is for labour. This is unconscious
and involuntary, but it is true. And our only aim is to find the
truth, and so much of it as is possible.

On the other hand we must surely not try to pretend
to be able to do what we cannot do, or then get quacks. To my
opinion already a certain number of apparently very learned
economists have got so far.

To me it does not matter whether something is to
my own credit. Only the progress of truth matters.