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ALBERT AFTALION AND BUSINESS CYCLE THEORY: A NOTE

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***Albert Aftalion* and Business Cycle Theory: A Note♦**

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“As almost any book on business cycle theory will indicate, the name Aftalion is important in the field of theory of economic fluctuations.”

Fisher (1952), p. 475

• We fundamentally disagree that it is a good idea for a high profile journal like **Economia Politica** – in whose distinguished editorial board the two senior authors are proud members – make available classics in economics that are readily available in the English language, in leading Journals, and easily accessible via *JSTOR* and similar search engines.

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In a recent issue of this Journal, Professor Scazzieri states what we, as students of trade cycle theory¹, find remarkable (Scazzieri, 2014, p. 89; italics added):

“Unfortunately, Aftalion’s work in [the structural explanation of economic fluctuations] is *little known*, and *seldom quoted*, in the *Anglophone*² economic literature.”

This is patently incorrect³. From Mitchell (1913) & Robertson (1914, 1915) at what may be referred to as the ‘dawn’ of modern trade cycle theory⁴, all the way through the interwar ‘years of high theory’ (*pace* Shackle (1967)), Aftalion’s pioneering role was handsomely recognized, both in the form of appreciative criticisms Mitchell (op.cit, pp. 8-9), Robertson (op.cit, p. 84, ff & p. 14, ff, respectively), mild, although misplaced enthusiasm (Haberler, 1946, pp. 134-5, Tinbergen, 1942, footnote 31, p. 138, Frisch, 1931, p.652), in a general sense in Pigou’s classic study of a psychological theory of industrial fluctuations (Pigou, 1927⁵), and as a basis for the development of one of the most enduring macrodynamic models of the trade cycle: Frisch’s famous **Cassel Festschrift** article (Frisch, 1933)⁶, the acknowledged methodological fountainhead of one of the frontier approaches to *business cycle* theory (Kydland & Prescott, 1982). Aftalion’s contributions to trade cycle theory were given central importance in the important Annual Survey series of the early years of the **Econometrica**, in the crucial year of 1933, in Alvin Hansen’s pre-Keynesian days (Hansen & Tout, 1933).

¹ In the ‘modern’ literature, particularly in the Newclassical era, this field is now referred to as *business cycle theory*.

² One is reminded of Myrdal’s pungent ‘broadside’, in this particular context (although here, it is not true that Aftalion is ‘seldom quoted in the Anglophone economic literature’ (Myrdal, 1939, pp. 8-9): “... the attractive Anglo-Saxon kind of unnecessary originality, which has its roots in certain systematic gaps in the knowledge of the German language on the part of the majority of English economists.”

³ We refer only to the English language literature, especially since Professor Scazzieri refers to the ‘Anglophone economic literature’.

⁴ Without doubt, Marx, Juglar, Hilferding and a host of others are distinguished predecessors to this tradition.

⁵ Forming the link between the *foundationless, phenomenological*, sunspot theory of cycles formulated by Jevons, in the mid-nineteenth century, and its modern, so-called *microfounded*, sunspot theory of the cycle of Cass & Shell (1983).

⁶ That this classic is fundamentally wrong in its numerical claims (cf. Zambelli, 2007), does not detract it from being a fountainhead for the muddle-headed doctrine-historical claims of the real business cycle theorists!

In the postwar years of Keynesian orthodoxy, especially in theories of aggregate fluctuations in its mathematical mode, Aftalion's works provided basic building blocks in many ways (see the copious references to, and use of, this great Frenchman's – of Bulgarian origin (Niehans, 1990, p. 376) – fertile ideas in Hansen, 1951 and Ch. 22, in it, by Goodwin). Almost without exception, every model of aggregate fluctuations, whether based on so-called microfoundations, or not, paid at least lip service to Aftalion's 'furnace' metaphor - the crucial importance of the time lag between *production starting*, the *carry-on-activity* and *delivery time*. This was so in the classic models of Tinbergen (1931), Frisch (1933, particularly in the crucial §4) and Kalecki (1935⁷).

But, as one of the (disputed – cf. above, Tinbergen, 1942) founding fathers of the venerable *acceleration principle*, Aftalion was also instrumental in providing notable hints to the formulation of what eventually came to be known as the *nonlinear accelerator* – by suggesting the distinction between *desired capital* and *actual capital*, in motivating aggregate investment, based on non-necessarily optimizing entrepreneurial behavior (Tinbergen, 1931, Goodwin, 1951).

That Aftalion is 'seldom quoted' in the recent literature on business cycle theory may well be true, justifying Professor Scazzieri's claim. However, this is not because Aftalion's ideas are not part of, say, the 'time-to-build' tradition of real business cycle theory. It is because those ideas have, almost seamlessly, been absorbed in the fabric of orthodoxy's building blocks – a fate reserved for the works and concepts of our masters.

Scazzieri (*op.cit*) refers, almost liberally, to *structural dynamics* without, however, any rigorous definition for the phrase – or even a secondary reference to a reasonably precise definition. In the absence of such a definition, we can only interpret it as a 'weaselword' in Machlup's sense (Machlup, 1958). We are, unfortunately, also in quite comprehensive disagreement with Scazzieri's characterization of the 'central goal of economic analysis' being 'increasingly seen as' (*op.cit*, p. 89):

⁷ There is textual evidence that Aftalion's approach was discussed at the 1933 Leyden meeting of the Econometric Society (see Marschak, 1934) where Kalecki, Frisch and Tinbergen were all present. In particular Aftalion's concept related to the 'time to build idea' was part of Frisch and Kalecki's conference presentations on the mathematical models of business cycles.

“[O]vercoming dichotomies between macroeconomic and microeconomic approaches in the study of economic fluctuations and crises, and in the formulation of policy proposals aimed at overcoming the uneven dynamics of economic systems.”

In particular, we do not agree that Aftalion’s many-splendored contributions to theories of the business cycle can contribute to this essentially neoclassical macroeconomic vision, taken over with a vengeance by the newclassicals.

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