

An Analysis on: ‘Trade in a Messy World: Three Studies in Jacob Viner’s International Economics’

The History of Economic Thought Society of Australia conducted its annual conference at the University Of Notre Dame, Fremantle from the 14th to the 17th of July, 2009. As a Mannkal scholar, I was fortunate to attend the conference as a student representative and participate in a series of lectures by many prestigious economists and economic historians. The scholarship allowed me to learn about the contributions of several influential economists to different schools of economic thought. Some material was relevant to the neo-classical content learned through my economic education at university whilst some theories offered alternative approaches to the field of economics. As part of the scholarship offered by Mannkal, I was required to submit a report on a presentation of my choice.

The presentation I selected was titled ‘Trade in a Messy World: Three Studies in Jacob Viner’s International Economics’ by Paul Oslington, Professor of Economics at the Australian Catholic University. The paper discussed three pieces of Viner’s work; those being the real cost theory of value, the burden of tariffs and the theory of custom unions. Due to time constraints, Oslington’s presentation primarily focused on Viner’s advocacy of a real cost theory of value. Thus, this report will concentrate on Oslington’s analysis of this particular piece of Viner’s work.

Oslington provides an interesting insight into Viner’s contribution to the development of international trade theory and the argument for free trade. He begins by providing a brief introduction to Jacob Viner’s life and works including accolades from colleagues such as Donald Winch and Paul Samuelson. Jacob Viner advocated his real cost theory of value during the 1930s; a key period in the development of international trade theory. His promotion of a real cost theory of value opposed the labour theory of value based on opportunity cost analysis which had been the dominant form of measurement, endorsed by Viner’s opponents Ohlin and Harberler. Indeed, Oslington’s presentation focused much attention on the relationship between Viner and his opponents.

Oslington asserts that Viner was viewed as a dissenting voice in international economics and often left his colleagues perplexed as to the true meaning behind his real cost theory. His style of theorizing was deemed rather 'messy' by Oslington. Viner defined his real cost theory of value as including all subjective costs involved in production, rather than merely valuing a commodity according to the labour needed to produce it. Jacob Viner criticized this latter method as ignoring the irksomeness of labour and the variability of proportions of factors in production.

As a strong advocate for free trade, Viner's real cost theory of value was required to make his argument for the merits of free trade. In this way, Viner believed in relevance above all; that theorizing and analysis must make a difference to policy. Oslington acknowledges the importance of values in Viner's argument for free trade with Viner emphasizing that the normative aspects of international economics must be included in the analysis, rather than existing outside the economic analysis. Oslington asserts that Jacob Viner's argument for a real cost theory of value triumphed against those of his opponents at the time of the dispute. However, his position and arguments have since then been met with little appreciation by those in the field.