

# HISTORICISM AND NEOCLASSICISM IN THE KIEV SCHOOL OF ECONOMICS: THE CASE OF ALEKSANDER BILIMOVICH

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*Aleksander Bilimovich (1876–1963) is often considered to have been one of the last representatives of the Kiev School of economics, which was influenced by the German Historical School as well as by the emerging neoclassical theory. After the Soviet revolution, Bilimovich continued his work in exile and was developing his theoretical and methodological views along two lines of the Kiev tradition. On the one side he maintained the historical approach, and on the other side he was inclined towards the deductivist and mathematical approach. The paper thus questions the established view among the historians of Russian economic thought of Bilimovich as a consistent adherent of marginalism. His work bears also several features of historicism.*

## I. INTRODUCTION

The Russian-born economist Aleksander Bilimovich (1876–1963) wrote his most important economic works while living in exile, into which he was forced in 1920. The purpose of this paper is to show that his complex and multifaceted theoretical work reflects, in many aspects, the methodological dilemmas of the Russian pre-revolutionary economic theory, to which Bilimovich was exposed in his formative years at the turn of the nineteenth century. In particular, it reflects the features of the so called Kiev School of economics, whose traditional mixing up of classical liberalism with ideas of the German Historical School towards the end of the nineteenth century began manifesting itself in a methodological eclecticism (or duality), composed of German historicism and deductivist Austrian marginalism as part of the emerging neoclassical economics. Throughout the paper, we shall outline

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some typical features of Bilimovich's work and compare them with the characteristics of Russian economic thought in the second half of the nineteenth century, which were thoroughly analyzed in some recent research works (Koropecj 1990, Zweynert 2002, Anikin 2002, Sheptun 2005). Bilimovich's work, although contributing to the body of economic literature in five languages (German, Russian, Slovenian, English, and Serbo-Croat), has so far not been comprehensively presented to the international audience. It was presented, however, to Russian (Korickij 1997) and to Slovenian readers (Sušjan 2005), that is, in the environments where Bilimovich lived during the most important periods of his life and professional career.

The paper is structured in two parts. The first part is a brief outline of the characteristics of the Kiev School of economics. The second part, which begins with a biographical sketch of Aleksander Bilimovich, identifies two separate approaches that can be traced in Bilimovich's work: the historical approach on the one side, and the neoclassical approach on the other. These two approaches in Bilimovich's work are recognized as the legacy of the Kiev School of economics within which Bilimovich was theoretically brought up and which left a permanent impact on his economic thinking. In the last section of the second part there is an overview of Bilimovich's work on economic dynamics, covering his studies on structural changes of agricultural sector, statistical analysis of business cycles, and his schemes of circular flow, on which he worked in the mature period of his career. Economic dynamics is an area in which his historical and neoclassical approach overlapped.

## II. THE KIEV SCHOOL OF ECONOMICS WITHIN THE RUSSIAN ECONOMIC THOUGHT IN THE NINETEENTH CENTURY

Aleksander Bilimovich is often considered to have been one of the last representatives of the Kiev School of economics.<sup>1</sup> The term "Kiev School" refers to a rather diverse group of economists in the pre-revolutionary Russia, who studied or taught at Kiev University. Since their views differed in many aspects, the label "school" is sometimes considered inappropriate for them.<sup>2</sup> But the works of these authors also show some common characteristics which justify their being classified together. These characteristics are several: (1) the Kiev economists were, generally speaking, considerably more liberally oriented than other Russian economists in the second half of the nineteenth century—many of them advocated the harmony doctrine of F. Bastiat and H. Carey; (2) they opposed socialist ideas (although they supported various measures of social policy performed by the state); and (3) they were strongly influenced by the German Historical School (this was to some extent in contradiction with their liberal orientation) as well as by the *Methodenstreit* issues (although their positions towards the methodological controversy were not uniform). The last characteristic is of special importance. Namely, while the impact of German historicism was present in almost all Russian economic theory of the nineteenth century (not only in the works of Ukrainian or Kiev authors), the dilemmas related with *Methodenstreit* were particularly strongly present among the Kiev economists.

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<sup>1</sup>See Anikin (2002, p. 150).

<sup>2</sup>Koropecj (1990, p. 168). For the opposite view see Zweynert (2002, pp. 300–305).

In fact, the ambivalent position concerning the methodological controversy between Gustav von Schmoller and Carl Menger can be viewed as the most “cohesive” feature of the Kiev School at the turn of the twentieth century.

Throughout the nineteenth century one of the main debates between the Russian economists was centered around the question of the path of Russia’s future economic development. In this debate the Kiev economists generally supported the “Westernization” of the Russian economy, that is, that Russia should develop along the path of the Western European market economies. They were opposed to the socialist ideas of Nikolaj Tschernishevsky (1828–1889), a Russian economist who viewed the traditional Russian peasant community as an authentic way into socialism. He believed that by social transformation through the peasant community Russia had a chance to avoid a capitalist path of economic development. Tschernishevsky’s ideas were further developed by the Moscow School of the so called *narodniki*-economists, that is, an academic circle centered around Aleksandr Tschuprov (1842–1908). They considered land community—a traditional form of collective property—to be the “cornerstone” of the Russian “social building,”<sup>3</sup> enabling a non-capitalist development of the Russian economy.<sup>4</sup> The idea of peasant socialism was in the second half of the nineteenth century also criticized by radical Russian Marxists. The Kiev economists were, of course, strongly opposed not only to socialism of the *narodniki*-movement but to revolutionary Marxism as well.

Russian economic theory of the nineteenth century was influenced by two traditions in economic thought. The first was classical liberalism, which was presented to Russian readers through the early translations of Adam Smith, Jean-Baptiste Say, and J. S. Mill. The second, as already indicated, was the German Historical School, whose ideas were disseminated in Russia by the translations of the works of Wilhelm Roscher and Bruno Hildebrand, later also of Gustav von Schmoller and others. It is important to note at this point, that German economic thinkers played an important role in the development of Russian economic thought from its early beginnings. Namely, western economic ideas, either in the form of classical liberalism or German cameralism, were popularized in Russia already in the first quarter of the nineteenth century by German economists teaching at Russian universities (C. Schlözer, J. Lang, L. Jacob) and also by Russian economists of

<sup>3</sup>A. I. Tschuprov, cited in Zweynert (2002, p. 274). Methodologically, Tschuprov was looking for a compromise between classical economics (he was particularly fond of J. S. Mill), Marxism, and German Historical School. This eclectic combination was absorbed into the ideology of the *narodniki*-economists at the Moscow University (Zweynert 2002, pp. 268–269).

<sup>4</sup>That the Kiev School of economists has to be distinguished from the Moscow School was argued also by Bilimovich in his memorial paper to D. I. Pichno (whom he considered as a typical representative of the Kiev School). For Bilimovich the theory of the Moscow School was Marxian while in economic policy the school followed the proposals of the *narodniki* (see Bilimovič 1915, p. xi). Also, in an unpublished (and later probably lost) manuscript titled “The Kiev School of Russian National Economists,” written (in Russian) in Ljubljana in 1925, whose content is reported by Seraphim (1925, pp. 38–47), Bilimovich considers the rejection of the labor theory of value and strong opposition to all forms of socialism to be the most distinctive features of the Kiev economists as compared with the Moscow School. Besides, he emphasizes the distinctive view of the Kiev economists, taken from the German historicists, that negative social consequences of capitalism can be overcome by active social policies of the state. Here we can add that the last point was not so distinctive if we consider Tschuprov’s enthusiasm about Schmoller’s views on social policy (cf. Zweynert 2002, p. 277).

German origin (“Russian Germans”).<sup>5</sup> Among the latter the most important was Heinrich Storch (1766–1836), who worked in St. Petersburg. He developed the theory of “inner goods” (like health, knowledge, thoughts, security), which cannot be bought or sold and have therefore no price, but are nevertheless very important in the process of utility satisfaction. Although an adherent of the classical tradition, Storch opposed the labor theory of value and criticized the materialistic concept of wealth. According to him, “national wealth” should be analyzed as a broad concept covering also non-material components, such as civilization, culture, etc.<sup>6</sup> This idea was popular already with early German historicists: economy is an organic whole of the material and spiritual forces of a nation, which has to be analyzed within its historical path of development. In Russia, such holistic view of the economy was later supported particularly by Ivan Kondratjevich Babst (1824–1881), who opposed any radical changes and opted for gradual social reforms. He is considered to be the first genuine representative of the historical school in Russia.

Alla Sheptun believes that the ideas of the German Historical School enabled many Russian economists to take “the ‘middle way’ between economic liberalism and socialism.”<sup>7</sup> This opinion could be valid also for the Kiev circle of economists, who criticized socialist ideas and argued for progressive social development which would bring the Russian economy closer to the level of the Western European countries. Zweynert (2002, pp. 303–304) defines the Kiev School as a combination of the views of the German Historical School, according to which economic laws depend on the socioeconomic conditions, and political liberalism based on the belief in natural order. The situation that liberal economic views were much more strongly present among the Kiev economists than elsewhere in Russia can be attributed to the fact that Ukraine was much less influenced by the Russian socialist ideas of the *narodniki*-economists than central Russia, and that here the traditional peasant community dissolved earlier than in other parts of the country, which led to significant increases in agricultural productivity. But this does not mean that the Kiev economists were uncritical adherents of economic liberalism. Koropecykyj (1990, p. 169) rightly claims that Ukrainian economists rejected both pure *laissez-faire* doctrine and Marxian economics.<sup>8</sup> Unlike in Moscow and St. Petersburg, where the left-wing intellectual circles were dominant, in Kiev the view prevailed much earlier that only the capitalist path of development and free business initiative can spur economic growth and improve public welfare in Russia. At the same time, government intervention was seen necessary in order to ameliorate growing social inequalities. The Kiev School had a particularly strong influence on Russian economic policy in the last decade of the nineteenth century, when its economists<sup>9</sup> influenced the governmental program, proposing several liberal measures, such as distribution of land to the farmers and reduction of tax burden for the farmers.<sup>10</sup> After

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<sup>5</sup>Sheptun (2005, p. 352).

<sup>6</sup>On this issue see also Zweynert (2004).

<sup>7</sup>Sheptun (2005, p. 354).

<sup>8</sup>Among the Kiev economists the exceptions were I. Vernadsky, who was “a staunch admirer of the *laissez-faire*” (Koropecykyj 1990, p. 187), and M. Ziber, who was a Marxist.

<sup>9</sup>Especially N. Bunge and D. Pichno.

<sup>10</sup>See Zweynert (2002, pp. 304–305) and Koropecykyj (1990, p. 176).

1890, however, also in the leftist circles of Moscow and St. Petersburg, the *narodniki* started losing their power. Their ideas of peasant socialism were abandoned due to the appearance of two influential Marxian-oriented economists, Petr B. Struve (1870–1944) and Mikhail I. Tugan-Baranovsky (1865–1919), who rejected the *narodniki*-ideology and argued for the capitalist path of Russian economic development.<sup>11</sup>

According to Zweynert (2002, p. 302), one of the forerunners of the Kiev School was Ivan Vasiljevich Vernadsky (1821–1884), who promoted the classical ideas of individualism and freedom. Vernadsky studied in Kiev, taught for a short period of time at Kiev University, and became full professor of political economy at Moscow University, where he remained until 1857. Later he held various positions in civil administration and banking in St. Petersburg and Kharkov. He published many articles and participated in the heated debate concerning the traditional Russian land community, in which he severely criticized the views of Tschernishevsky. Vernadsky's position was that communal land ownership leads to economic inefficiency.<sup>12</sup> Also, he disagreed with protectionist ideas of F. List and argued for internationally competitive environment, which would be conducive to the growth in productivity of Russia's expanding industry. Vernadsky was thoroughly acquainted with Western economic literature and wrote extensively on the history of economics.<sup>13</sup> His favorite classical authors were Adam Smith and Frédéric Bastiat. Not surprisingly, he was critical of socialist writers who, in his view, were concerned with social conditions at the expense of the growth of output. Vernadsky was also influenced by Heinrich Storch's theory related to inner goods and needs, so it is not surprising that while being an adherent of the labor theory of value he at the same time praised Gossen's laws and considered important the evolution of needs.<sup>14</sup> Like Bastiat he was convinced that unleashed individual interests lead to social harmony and that a liberalized market system is a precondition for growth and development of the society as a whole.

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<sup>11</sup>Contrary to orthodox Marxists of the time, such as V. Lenin and G. Plechanov, Struve and Tugan-Baranovsky together with S. N. Bulgakov (1871–1944) formed the so called "legal" Marxists, who attempted, in various ways, to revise the methodological and theoretical foundations of Marx's theory. Struve criticized Marx's views on class struggle and social revolution. Tugan-Baranovsky, who was a Ukrainian (born near Kharkov), worked in St. Petersburg and achieved international appraisal for his book on industrial crises in England (see also Koropecykyj 1991 and Screpanti and Zamagni 2005, pp. 239–240). The work of Tugan-Baranovsky expresses a methodological duality similar to the one that we find later in the work of Bilimovich. While he believed that the dominant method in economics should be deduction, in his works on crises in England and on the Russian factory he "attempted to combine an analysis of historical evolution with an account of economic structures, the formation of economic policy, and a concern for social consequences, and both were illustrated with statistical data" (Barnett 2004, pp. 88–89). Barnett (*ibid.*) considers this part of Tugan-Baranovsky's work to use the institutional approach, and sees parallels with the approach of the German Historical School and institutionalism in general.

<sup>12</sup>Cf. Koropecykyj (1990, p. 223).

<sup>13</sup>Among his works is the outline of the history of economics (*Ocherk istorii politicheskoi ekonomii*, St. Petersburg, 1858), where he critically analyzed various schools of thought from the point of view of a convinced laissez-faire economist (see Koropecykyj 1990, pp. 184–187).

<sup>14</sup>I. Vernadsky, *Ocherk teorii potrebnostej* (An outline of the theory of needs), St. Petersburg, 1857.

The next important economist of the Kiev School was Nikolaj Christianovich Bunge (1823–1895), who began his work at the Kiev department for political economy in 1850. In his early works, Bunge like Vernadsky supported classical liberalism (particularly the views of J. S. Mill and T. Tooke), but with time he was coming more and more under the influence of younger German Historical School and supported state interventionism in the area of social policy.<sup>15</sup> His most important work is considered to be *Principles of Political Economy*,<sup>16</sup> published in 1870. While rejecting absolute liberalism, Bunge was opposed even more strongly to socialism which, by eliminating private property and competition, leads to a communist society with no free expression of life possible. He criticized Marx's economics for having several unrealistic assumptions, including the labor theory of value.<sup>17</sup> At the methodological level he strove for setting a demarcation line between deductive and inductive method in economics as well as between the economic theory and praxis. In the *Methodenstreit*, however, he clearly positioned himself on Schmoller's side. Bunge has often been accused of being eclectic and lacking originality. But there is no doubt that his broad knowledge on various economic issues contributed to his successful work in the area of economic policy, first as minister of finance and from 1887 to his death also as president of the ministerial council. Bunge's works laid the scientific basis for his ministerial policy, which was in essence liberally oriented, supporting economic individualism, but also introducing and extending state activities in order to reduce the negative social consequences of unlimited competition.<sup>18</sup>

Bunge's successor was Dmitrij Ivanovich Pichno (1853–1913). In comparison with Bunge, who favored Mill, Pichno laid more emphasis on Smith, David Ricardo, and Thomas Malthus. He considered their works to be of utmost importance for understanding the issues related with the theory of value and distribution.<sup>19</sup> Contrary to Vernadsky he opposed the labor theory of value and put more emphasis on Storch's analysis of needs and utility. For Pichno, the exchange value was the result of the interplay between the supply and demand forces.<sup>20</sup> On the other hand he followed the ideas of the German Historical School. This can be seen in his making a strict distinction between individual and social phenomena, with national economy

<sup>15</sup>In 1869, because of his strong interest in practical policy issues, Bunge even moved to the department of state administration studies, which, similarly to German cameralist tradition (Polizeiwissenschaften), researched the problems related with law, state administration, public finance, and economic policy. His lectures from that period appeared in *Policejskoe pravo* (2 Vols., Kiev, 1869, 1877) (see Zweynert 2002, p. 284).

<sup>16</sup>*Osnovanija političeskoj ekonomii*.

<sup>17</sup>Cf. Koropec'kyj (1990, p. 192).

<sup>18</sup>As a minister he introduced various reforms aimed at shifting the tax burden from the poorer to the richer groups of the society, and pioneered factory legislation (see Koropec'kyj 1990, pp. 190–191).

<sup>19</sup>D. Pichno, *Osnovanija političeskoj ekonomii*, Vol. 1, cited in Zweynert (2002, pp. 297). Volume 1 of Pichno's *Osnovanija* (Principles) was published in Kiev in 1890. Volume 2 did not appear.

<sup>20</sup>The issue of value was a dominant subject in his above-mentioned textbook as well as in his monograph *Zakon sprosa i predloženijsja. K teorij cennosti* (The law of supply and demand. Towards a theory of value), published in Kiev in 1886.



considered as an organic whole of both.<sup>21</sup> Also, in line with the German historicists, he considered cultural and historical forces of a nation as the fourth factor of production (beside land, capital, and labor). But in the *Methodenstreit*, Pichno supported Menger's views, although warning at the same time about too high a level of abstraction, which would remove theoretical analysis from the firm ground of real life.<sup>22</sup> This position might well be considered eclectic, but at the end of the nineteenth century such methodological duality was a logical characteristic of the authors that were intellectually split between the strong tradition of the historical approach on the one side and the emerging neoclassical analysis with deductive and mathematical approach on the other.<sup>23</sup>

As we shall see, such views of economics, characterized by the historical and evolutionary approach on the one side, and by deductive reasoning and mathematical formalism on the other, marked also the entire work of Pichno's successor Bilimovich, who entered the Kiev circle of economists at the beginning of the twentieth century.<sup>24</sup> In his work on the valuation of goods and in his econometric modelling of circular flow Bilimovich came close to marginalist and neoclassical methodological views. But he nevertheless always remained convinced that economics is basically a social science and that a national economy should be analyzed within its historical—social and institutional—path of development. This means that the frequently cited views according to which Bilimovich was a consistent adherent of marginalism, who only at the end of his life became an advocate of reforms introducing social capitalism,<sup>25</sup> are not true. It will be shown in the next section that

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<sup>21</sup>According to Sheptun (2005), Russian economic theory of the nineteenth and early twentieth century, including the pro-western oriented Kiev School, never really abandoned the influential methodological tradition of the German Historical School. Indeed, some Russian authors did criticize the “descriptive” approach of the German Historical School and its lack of “solid theoretical generalizations,” thus pointing to the validity of Menger's arguments in the *Methodenstreit* (see Sheptun 2005, p. 359). But Sheptun also convincingly argues that, on the whole, “(t)he Historical School's ideas conformed to Russian spiritual and intellectual traditions of the primacy of the social, ‘the communal,’ instead of ‘the individual’ and selfish, as the constituent element of economic life” (p. 360) and that it was therefore “natural for Russian economists to view political economy as a social science aimed at studying national economy as an integral whole in its historical development” (p. 356). Subjectivism and methodological individualism of the emerging marginalist schools, although taken positively by some authors in their researches on value, were in Russia never accepted on a larger scale.

<sup>22</sup>Zweynert (2002, p. 297).

<sup>23</sup>It is interesting that Konstantin Hattenberger (1844–1893), an Ukrainian economist of Kharkov University, already in the early 1880s compared the methodology of the German Historical School with the methodology of the Austrian School, and argued for the need of their mutual coexistence and complementarity in economics (see Sheptun (2005, pp. 359–360) referring to the work of N. Balabkins and I. Koropecykj). Tugan-Baranovsky was another Ukrainian economist who was searching for complementarity (particularly in the theory of value) between classical and neoclassical views.

<sup>24</sup>At that time the Kiev circle was represented by economists such as D. Pichno, A. Antonovich, N. Cytovich, M. Iasnopolsky, V. Zheleznov, and others. Zheleznov doesn't fit completely into this group because of his interest in labor theory of value and Marxism. Koropecykj (1990) reports that while other Kiev economics professors “generally preferred to omit Marxian theory from class lectures, Zheleznov discussed it, albeit critically” (p. 177).

<sup>25</sup>Koropecykj (1990, pp. 168, 177) or Koropecykj (1984, pp. 168, 180). Such interpretation of his work is probably due to the fact that Bilimovich's papers with a marginalist approach appeared mostly in Austrian and German economic journals and in the German language, and are therefore easier accessible than his papers in Slovenian and Serbo-Croat periodicals, in which his approach was mainly historical.

in his entire lifework Bilimovich was constantly swaying between the mathematical and historical approaches. Also, his explicit views about the need to introduce social reforms in capitalist economies can be already found in the early 1920s, which is forty years before the end of his life.

### III. ALEKSANDER BILIMOVICH BETWEEN THE HISTORICAL SCHOOL AND NEOCLASSICAL ECONOMICS

#### *A biographical outline: Kiev—Ljubljana—San Francisco*

Aleksander Dmitrievich Bilimovich was born in Zhitomir (Ukraine) in 1876 as a son of a military doctor. He studied law at the University of St. Wladimir in Kiev. Already as a student he wrote an excellent statistical research work about the transportation of goods on Russian railways, for which he was awarded the first prize in the student competition. The research was later published by the university. After graduation the university offered him a scholarship to continue with postgraduate studies. In 1904 he passed the master's exam in political economy and statistics and immediately obtained the position of Privatdozent at the Faculty of Law of Kiev University. From 1905 to 1911 he was several times abroad visiting the universities in Tübingen, Berlin, and Vienna, and collecting materials for his research work. In Tübingen he attended the lectures of professors F. J. Neumann and G. Schönberg, and in Berlin the lectures of professors G. Schmoller, A. Wagner, M. Sering, J. Böck, and L. Bortkiewicz. In the meantime, in 1909, he defended his master's thesis in Kiev and became associate professor of economics and statistics. During the summer of 1910 he worked with Professor Böhm-Bawerk in Vienna. A year later he published an article on the valuation of economic goods, in which the influence of Böhm-Bawerk's work is clearly present. The question of exchange values and prices was also the main subject of his doctoral dissertation, which he successfully defended in St. Petersburg in 1915.<sup>26</sup> After that he became a professor of political economy and statistics at Kiev University.

Bilimovich's academic career in Kiev ended abruptly with the arrival of the Bolsheviks in 1918. He moved to the south and for a short time taught economics in Odesa and Simferopol. In 1919 he joined the counter-revolutionary forces, serving briefly as a minister in the government of General A. Denikin. Early in 1920 he emigrated with his wife and daughter to Yugoslavia,<sup>27</sup> where he was appointed professor of political economy at the newly established University of Ljubljana.<sup>28</sup> He settled in Ljubljana and became a respected citizen. During the next twenty-five years he wrote his best economic works, dealing with price and monetary theory, cycle analysis, statistics, methodological issues, circular flow analysis, agricultural development, questions of economic legislation, etc. His articles and book reviews were appearing regularly in the *Zeitschrift für Nationalökonomie*, published by

<sup>26</sup>His opponent was P. Struve, a versatile economist and together with Tugan-Baranovsky one of the first social democratic Marxists in Russia.

<sup>27</sup>In 1920 still officially named the Kingdom of Serbs, Croats and Slovenians.

<sup>28</sup>His younger brother Anton (b. 1879), a mathematician, who followed him into emigration, became professor of mathematics at the University of Belgrade. He died in Belgrade in 1970.



Julius Springer in Vienna,<sup>29</sup> in scientific proceedings of the Faculty of Law in Ljubljana, and in many other German, Austrian, and Yugoslav economic periodicals of the time. Beside numerous articles, book reviews, and statistical studies, in this period he also wrote three monographs.<sup>30</sup> In 1933 he became a member of Econometric Society.<sup>31</sup>

However, with the arrival of communism in Yugoslavia at the end of the second World War, Bilimovich was once again forced into exile. In 1945, at the age of 69, he moved to Germany. He was appointed professor of economics and statistics at the UNRRA University in Munich.<sup>32</sup> Due to several organizational problems the UNRRA University was closed down in 1947, after which Bilimovich went to the United States. At the University of California, Berkeley, he organized a seminar on five-year plans in socialist economies.<sup>33</sup> According to the university regulations he had to abandon teaching at the age of 73, but he remained actively involved in research work, publishing articles on economic theory and critically analyzing the situation in the Soviet economy.<sup>34</sup> He lived in San Francisco until his death in 1963.

### *An Historicist and Mathematical Economist*

Bilimovich was strongly influenced by the Kiev tradition in economic thought. The alleged eclecticism of the Kiev School in the form of a split between two different methodological approaches can be traced already in the works that Bilimovich wrote in the pre-revolutionary period. His early contributions were related with Russian railways, dealing either with railway transportation costs or with issues concerning the social status of the railway personnel.<sup>35</sup> In his master's thesis (Bilimovič 1907) he analyzed in depth the legislative issues related with Russian land settlement, particularly stressing the importance of the institution of property rights. Bilimovich referred mostly to German

<sup>29</sup>A forerunner of today's *Journal of Economics*. Rothschild (2004) provides a comprehensive evaluation of the editorial policy of the journal in the 1930s, when Bilimovich was a regular contributor with articles and book reviews. Among the latter see, for example, his favorable review of Keynes's *Treatise on Money* (Bilimovič 1933c).

<sup>30</sup>For a detailed list of Bilimovich's published works after 1920 see references in Sušjan (2005). For some additional documents related with his work and life see also Sušjan (2004).

<sup>31</sup>See *Econometrica* (1934, Vol. 4). Bilimovich lectured at the annual meeting of the Econometric society in Stresa in 1934. See Bilimovič (1937b, p. 297n).

<sup>32</sup>The UNRRA University in Munich was established at the end of the war (by the United Nations Rehabilitation and Relief Administration) with the purpose of providing higher education for a number of displaced persons from Eastern Europe. See more in Zittel (1979).

<sup>33</sup>E. Korickij, D. Šetov (web).

<sup>34</sup>See Bilimovič (1955, 1956, 1959, 1960). For his critique of Marxism see Bilimovič (1954). Bilimovich's position in these works is often emotional, which is understandable, if we know that communist revolutions deeply affected his private life and professional career. Cf. Boettcher (1957). From the philosophical standpoint Bilimovich based his critique of Marx on the work of Nikolai O. Lossky (1870–1965), a Russian philosopher and student of Windelband, who lived in exile since 1922 (see Bilimovič 1954, pp. 20 ff.). Lossky was an intuitivist and particularly critical of dialectical materialism as the philosophical foundation of Marxism as well as of the Soviet regime (see Lossky 1951, pp. 345–377).

<sup>35</sup>*Tovarnoe dviženie na russkikh željeznych dorogah*, Kiev, 1902; *Položenije službaščih na gosudarstvenih željeznych dorogah Germanii i Rosii*, Kiev, 1906.

authors, such as W. Roscher, A. Wagner, G. Krafft, A. Glatzel, and G. Schmoller, and to Schmoller's *Jahrbuch für Gesetzgebung und Verwaltung*.<sup>36</sup> Also, he surveyed the controversies concerning the transformation of land community into various forms of private ownership in agrarian societies.<sup>37</sup> All these works are written in the spirit of the historical school; they include statistical data and describe several institutional features of economic life in tsarist Russia, concerning social classes, infrastructure, evolution of ownership and legislation, etc. But in this period Bilimovich also tackled a completely different subject. In 1911 he published his first article in the German language, dealing with the valuation of goods (Bilimowitsch 1911). This article is by its form and contents close to the marginalist tradition of the Austrian school and to the subjective theory of value. There is no doubt that it was written under the impact of Bilimovich's visit to Vienna University in 1910.

The coexistence of the historical approach on the one side and the marginalist-mathematical approach on the other side (although applied to different issues) remained characteristic for Bilimovich throughout his entire lifework. If we consider the interwar period, when Bilimovich reached the peak of his professional career, his publications can be classified into two groups. First, there are the essays written in the methodological tradition of the German Historical School. In these essays Bilimovich presented, using comprehensive statistical materials, the structural and institutional characteristics of the Yugoslav economy or its sectors between the two wars (e.g. Bilimovič 1927, 1935a, 1939a) and the position of workers in the Yugoslav economy (Bilimovič, 1926). He analyzed labor law (Bilimovič 1929c) and market regulations (Bilimovič 1936). To this group also belongs his detailed analysis of agricultural reforms in Russia at the beginning of the twentieth century (Bilimovich 1930), stressing the importance of the institutional background of the reforms. It should also be mentioned that a significant part of Bilimovich's introductory textbook to economics (Bilimovič 1933a) deals with the historical evolution of the economy, presenting various schemes of developmental phases, typically proposed by German historicists (F. List, B. Hildebrand, K. Bücher).<sup>38</sup> All these works show Bilimovich as inclined to the use of historical approach. On the other hand, there are, from the same time period, several articles in which Bilimovich discussed typical neoclassical issues of the time, like the subjectivist theory of value (Bilimovič 1930b, 1931b), the problem of utility measurement (Bilimovič 1929a, 1933b, 1934), and the role of money (Bilimovič 1931c, 1935b). It is on the basis of this part of his work,<sup>39</sup> which was written in the methodological tradition of Austrian marginalism, that Bilimovich is often categorized as a neoclassical economist. What distinguishes him from the Austrian marginalist tradition of Menger and Böhm-Bawerk is his extensive use of mathematics, which brings him closer to the tradition of English marginalists and to

<sup>36</sup>See Bilimovič (1907, e.g. pp. 7, 9, 21, 41). Significant is also the motto of the book (taken from a German author and printed on the title page) obviously expressing Bilimovich's belief that the clear institutional arrangement of ownership was a crucial precondition for further development of Russian agricultural production: "Was helfen die Förderungsmittel für landwirtschaftliche Production (sic!), wenn es am Segen eines geordneten Besitzes fehlt" (Stimulating agricultural production is futile if there is no order in ownership).

<sup>37</sup>*Germanskoe zemleustroiteljnoe zakonodatel'stvo*, Kiev, 1908 (cf. Bilimovič 1933a, p. 63).

<sup>38</sup>See Bilimovič (1933a, pp. 44–88).

<sup>39</sup>Most of these articles appeared in the *Zeitschrift für Nationalökonomie*.

the representatives of the Lausanne mathematical school. Bilimovich's work in the interwar period thus represents an interesting juxtaposition of historicism and neoclassicism in economic thinking.

However, there is one segment of Bilimovich's work in which he obviously found the possibility to fruitfully combine the historical approach with his inclination towards mathematical formalism. In the 1920s he started with the statistical analysis of business fluctuations which resulted in an excellent textbook type monograph on the analysis of business cycles (Bilimovič 1931a). Although technical in method, this segment of his work indirectly relates Bilimovich with the institutionalist economic theory of the time. Namely, it was American institutionalism (e.g. W. Mitchell) which initiated a detailed statistical analysis of business cycles. But even here the methodological thread goes back to German economic thought, since, as is well known, many American institutionalists had been influenced by the German Historical School.<sup>40</sup>

Bilimovich made a further step in this field in the 1940s when, inspired by Quesnay's *Tableau*, he began designing the so-called "dynamic schemes of economic process"—an econometric representation of economic circular flow (Bilimovič 1943, 1944b). This line of research, probably also encouraged by his membership in the Econometric Society, eventually led him to a very specific way of simulating business cycles in the form of sequential "shots" of circular flow (Bilimovich 1953). Judging from this part of his work, we can again characterize Bilimovich as a mathematical and neoclassical economist.

### *Views about Economics*

In his 1933 textbook on economics Bilimovich defined economics as a social science dealing with social relations which emerge between people as a result of their economic activities.<sup>41</sup> It is interesting that only one year earlier Lionel Robbins in his famous essay proposed a completely different definition, which became a manifesto of modern neoclassical economics. According to Robbins (1932), economics is a science of how to apply scarce means to alternative ends. Although Bilimovich was familiar with Robbins's definition,<sup>42</sup> his views remained closer to the German authors who claimed, like for example Werner Sombart, that all economic categories have a social dimension and that economics (*Nationalökonomie*) is in fact "economic sociology."<sup>43</sup> So in spite of his inclination towards mathematical formalism and deductive reasoning and his support of subjectivist theory of value, which are all typical for the neoclassical theory, Bilimovich, by emphasizing the social dimensions of economics, maintained the tradition of the German historicism, characterized by a broad holistic approach to economics.

These "two souls" of Bilimovich are also discernible from his systematization of economic science.<sup>44</sup> Here, again in the manner of German authors (G. Mayr, A. Voigt, W. Sombart), Bilimovich insisted on the distinction between "economic ontology" and "economic deontology."<sup>45</sup> The former is positivist in nature, based on

<sup>40</sup>See for example Spiegel (1991, p. 628).

<sup>41</sup>Bilimovič (1933a, p. 23).

<sup>42</sup>See Bilimovič (1933a, p. 20n).

<sup>43</sup>E.g. Sombart (1929, p. 6).

<sup>44</sup>See Bilimovič (1933a, pp. 125–136).

<sup>45</sup>Bilimovič (1933a, p. 126).

the observation of reality and on the analysis which is value-free. The latter is normative and practical. It deals with economic policy and is based on subjective ideas about the desired state of the economy. Economic ontology was further divided into “economic idiography” and “economic nomography.” Economic idiography describes particular economies with their macro- and microeconomic phenomena (according to Bilimovich it included economic statistics, economic history, and economic geography). Economic nomography searches for general laws of economic processes (it refers either to the economy as a whole or to particular industries—agriculture, manufacturing, etc.). Practical economic processes (the subject of economic deontology), on the other hand, can be analyzed either from a micro or macro perspective. Therefore economic deontology covers the analysis of the policy of the firm (*Betriebswirtschaftslehre*) (either general or specific concerning firms in particular industries) and of the household (*Haushaltungskunde*), as well as of various macroeconomic policies (financial, industrial, etc.).

Because of the changing social characteristics of the economic systems and historical relativity of economic laws, Bilimovich was convinced that economics belongs to the social, historical, and cultural sciences. This caused him some problems in interpreting the neo-Kantian ideas about idiography and nomography, which he applied in his systematization of economic science. Namely, the neo-Kantian philosophers, especially W. Windelband and H. Rickert, originally introduced these terms to set a demarcation line between natural sciences and historical (or cultural) sciences, with the former being strictly nomothetic (using general phenomena and value-free analysis, and setting general laws) and the latter being idiographic (analysing individual and non-repeating phenomena, and also applying value judgements). Bilimovich believed that economics, although belonging to the historical and cultural sciences, deals not only with individual phenomena but also searches for general laws and is therefore also nomothetic in character. He was very clear about this: “Therefore the difference between economic science (as well as other cultural sciences) and natural sciences lies not in the method of research (Forschungsweise), as believed by W. Windelband and H. Rickert, but in the subject of research (Forschungsbereich). The methodological distinction, made by these two authors, does not set a demarcation line between economic science and natural sciences but rather . . . between various parts of economics itself” (Bilimovič 1933a, pp. 122–123n). With this Bilimovich pointed to his distinguishing between economic nomography<sup>46</sup> and economic idiography as two parts of economic ontology.

Concerning the question of value judgements, Bilimovich was very explicit about the need for strictly differentiating between the value-free formation of economic theory (economic ontology) on one side and economic pragmatism (economic deontology), based on normative value judgements, on the other. Only the value judgements made by economizing economic agents (related with self-interest and

<sup>46</sup>The original term, introduced by Windelband, was *nomothetics*. But due to the etymology of the term (in Greek: setting laws) Bilimovich considered it to be too normative in character and thus inappropriate for economic ontology, which is positivist and explicative in nature. He therefore decided to use Tschuprov’s term *nomography*, which Bilimovich found more adequate, since the subject of this part of economic ontology “is not setting laws, but searching for economic laws . . . and describing them” (Bilimovič 1933a, p. 130n).

profit motives) can be taken as facts and as such belong to the positivist part of economics.<sup>47</sup> However, an economic theoretician should never subordinate economic theory to *his own* subjective values and normative ideas about the economy. A typical example of such methodological error was Marx's distinction between "bourgeois" and "proletarian" economic theory, a distinction which for Bilimovich was "as senseless as would be a distinction between bourgeois and proletarian mathematics, chemistry, physics or astronomy."<sup>48</sup> For Bilimovich, an economic theoretician should act like an anatomist; the formation of economic theory requires a value-free "anatomical" approach. Economics as a science should be independent of practical issues and absolutely autonomous. As in all other scientific disciplines, looking for scientific truth should be the main objective of a scientist and should not be mixed with any pragmatic aims. This is strictly in line with neoclassical methodological views. In his inaugural lecture at the University of Ljubljana in 1920 he referred to the words of D. Mendelejev, that if the scientific work is independent, then practical usefulness of science comes by itself. Taking into account that Mendelejev invented the (very useful) periodic table of elements, Bilimovich lucidly concluded that thus "even practical interests support the need for a completely independent and autonomous position of science."<sup>49</sup> Bilimovich's econometric modelling of economic processes in the form of "dynamic schemes," with which he began in early 1940s, was a clear example of this "anatomical" and value-free approach.

But once formed, economic theory should be applied also to practical issues. In his studies Bilimovich therefore often proposed various policy measures. He was critical of negative social effects of the functioning of the market, which can be eliminated or at least mitigated by social policy measures and social reforms.<sup>50,51</sup> This was clearly an impact of the German Historical School, especially of the representatives of its younger generation, who enthusiastically discussed the distributional and social issues in the economy (G. Schmoller and *Verein für Sozialpolitik*).

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<sup>47</sup>Cf. Bilimovič (1933a, p. 123n). It should be noted at this point, that Bilimovich also disagreed with the view (originally proposed by R. Stammler) that the main difference between natural and cultural sciences lies in the fact that the former belong to *causal* sciences, analysing the "cause-consequence" relationships, while the latter (including economics) belong to *teleological* sciences, dealing only with the "aim-means" relations. This view was further developed by K. Engliš in his book *Begründung der Teleologie als Form des empirischen Erkennns* (published in Brno in 1930). Bilimovich's critical review of this book (Bilimovič 1932) sparked a polemic exchange between the two (Engliš 1933, Bilimovič 1933d), in which Bilimovich argued that in spite of teleological character of economic activities of people it is wrong to claim that economics is not a causal science. According to him, human economic behavior is guided by psychological reasons, which can be the subject of positivist analysis. The practical part of economics (economic deontology), which analyzes policy measures needed to attain targets set by policy makers, is, of course, different in character.

<sup>48</sup>See Bilimovič (1921, pp. 16–17) and Bilimovič (1933a, p. 129).

<sup>49</sup>Bilimovič (1921, p. 20).

<sup>50</sup>See e.g. Bilimovič (1924b, p. 6).

<sup>51</sup>While criticizing the central planning system, Bilimovich supported the view that some degree of state regulation was necessary if the market economy is to function efficiently: "Optimal ist also eine Kompromißform, eine gemischte, dualistische Form, . . . eine Verbindung individueller Freiheit mit sozialer Regulierung" (The optimum form is a compromise, a mixed, dualistic form, . . . a combination of individual freedom and social regulation) (Bilimovič 1938, p. 166).

By referring to his systematization of economic science Bilimovich's work can be described as an interesting combination of economic ontology ("idiographic" statistical studies, "nomographic" econometrics, and studies on value), paralleled by mild social activism (economic deontology). The legacy of the eclecticism of the Kiev School can be framed within the "ontological" part of Bilimovich's work with his idiographic studies exhibiting the historical approach and his nomographic studies representing the neoclassical-mathematical approach.

### *Idiographic and Nomographic Studies on Economic Dynamics*

If we judge from his work as a whole, then understanding economic dynamics seems to have been one of the most intriguing issues for Bilimovich as an economist. In fact, he was often critical about using the term "statics" in economics.<sup>52</sup> For him the functioning of an economy is a process that never stops, not even under conditions of equilibrium. So by making an analogy with the science of mechanics where "dynamics" is divided into "statics," which analyzes only still bodies, and "kinetics," which deals with moving bodies, Bilimovich argued that only the term "kinetics" is appropriate for economic dynamics, while "statics" is completely irrelevant (Bilimovič 1924a).

Using his own terminology, Bilimovich's studies on economic dynamics can be classified into "idiographic" and "nomographic" ones. His idiographic studies were mostly centered around two subjects: (1) developments in the agricultural sector and (2) business fluctuations in the economy as a whole. In these studies he was applying an historical approach. In his nomographic studies on economic dynamics Bilimovich attempted to design the so-called "dynamic schemes of economic process" formalizing the idea of circular flow. Here his approach was mathematical.

*Developments in agriculture and the analysis of business cycles.* Already in his early works Bilimovich analyzed the problems of Russian agriculture and land legislation in historical context (e.g. Bilimovič 1907). Later, in the interwar period, he was the co-author of an extensive monograph on Russian agriculture in the first two decades of the twentieth century, published by Yale University in 1930 (Antsiferov et al. 1930, Bilimovich 1930). Here Bilimovich gave a comprehensive and systematic overview of Russian agricultural reforms in the period 1906–1913. He analyzed the role of the relevant institutions (e.g. the establishing and the reorganization of the state agricultural bank) and presented the demise of the agricultural system after the revolution in 1917. In the early 1950s, Bilimovich took part in a research, supported by Stanford University, analyzing the evolution of agriculture in some of the Eastern European economies in the period 1935–1945. He presented the Yugoslav agriculture and food industry before and during the Second World War, and in the immediate aftermath of the establishment of the communist regime in Yugoslavia (Bilimovich 1955). Bilimovich was well acquainted with this subject, because he had already carried out two comprehensive studies on Yugoslav agriculture in 1939, when he statistically analyzed its structural dynamics (concerning the size of farms) (Bilimovič 1939a) and compared this dynamics with agricultural sectors in selected

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<sup>52</sup>E.g. Bilimovič (1937a, p. 222).



European economies (Bilimovič 1939b).<sup>53</sup> The conclusions of these studies pointed out the need for extending the cultivation areas (e.g. by irrigation) and for the growth of industrialization, which would reduce the problem of rural overpopulation and poverty in Yugoslavia.<sup>54</sup>

Bilimovich became interested in statistical analysis of business cycles in the mid 1920s under the influence of works of H. L. Moore and W. Mitchell.<sup>55</sup> In the interwar period he was one of the few economists in Yugoslavia who strongly advocated an institution which would systematically collect and analyze statistical data about economic fluctuations and use these data for economic forecasting (e.g. Bilimovič 1928).<sup>56,57</sup> Like many economists in the interwar period, Bilimovich suggested a number of indicators from various economic sectors (employment, production, prices, capital markets, etc.) which combined could serve as an economic barometer. This was a pragmatic line of economic research which flourished in the United States and Europe in the first three decades of the century and was aimed to instrumentalize statistical surveying for the purpose of (anti-recessionary) economic policies. It is interesting that Bilimovich did not criticize the old, descriptive theories of business crises which had been put forward by theoreticians such as A. Spiethoff, A. Aftalion, J. Schumpeter, and Tugan-Baranovsky. He was inclined towards a compromise, stating that there was in this area in the long run a need for “a broad synthesis” of “logical theory” on one side and “statistical symptomatics” on the other.<sup>58</sup> Based on his lectures on the statistical analysis of cycles Bilimovich’s monograph was published in the middle of the Great Depression (Bilimovič 1931a).

*Schemes of economic circular flow.* In the early 1940s Bilimovich started working on a subject which later became one of the main pillars of his economic “nomography.” Bilimovich’s interest in circular flow analysis evolved from his fascination with Quesnay’s *Tableau Economique*. His excellent exposition of the physiocratic table (Bilimovič 1942)<sup>59</sup> was duly appraised by Woog (1950) and Holý (1957). Bilimovich designed an innovative graphical representation of the *Tableau*. For this purpose he analyzed separately the monetary and the real aspects of the table

<sup>53</sup>A revised version of this study was published in *Weltwirtschaftliches Archiv* (Bilimovič 1939c).

<sup>54</sup>See Bilimovič (1939b, pp. 32–33). Bilimovich also concluded that contrary to the manufacturing sectors, which were experiencing the process of concentration, in the agricultural sectors of the European economies there was a gradual tendency of deconcentration exhibiting itself in the reduction of the share of extremely large farms and in the increasing number of farms of medium size (Bilimovič 1944a). Later he came to a different conclusion in his analysis of the concentration of agriculture in the United States (Bilimovich 1959). He found out that in the period 1900–1954 the concentration of farm land had been significantly increased in all parts of the United States. The process was obviously related with technical improvements in farm production, increasing mechanization, etc.

<sup>55</sup>As a versatile statistician Bilimovich liked their idea of the need for a statistical analysis of the “symptomatics” of business cycles (see Bilimovič 1931a, p. 13)—rather than dealing with “causal” theories of crises, which was the domain of older theoreticians.

<sup>56</sup>The paper was also published in Russian (Bilimovič 1929e).

<sup>57</sup>He strongly supported the pioneering work in this area carried out by the brilliant Slovenian mathematician Ivo Lah (1896–1979), who used the statistics of social insurance of workers as the basis for evaluating macroeconomic trends (Bilimovič 1930a).

<sup>58</sup>Bilimovič (1928, p. 3); cf. Bilimovič (1931a, pp. 14–15).

<sup>59</sup>The *Tableau* is analyzed in the first part of his 1942 study on the economic circular flow (Bilimovič 1942, pp. 200–206). In Slovenian the table is analyzed in Bilimovič (1941).

and then brought them together in a comprehensive aggregate flow chart. Bilimovich was thus among the first theoreticians to transform the original Quesnay “zig-zags” into a modern schematic chart of aggregate flows.<sup>60</sup> In the same study Bilimovich also attempted to construct a Quesnayian picture of a modern capitalist economy.<sup>61</sup> He replaced the physiocratic social structure (composed of three classes: farmers, sterile class, and landowners) with producers, traders, workers, landowners, the banking sector, and the state as the main participants in the contemporary market economic process. By assuming the real and monetary flows between the participants to be reproduced from year to year in an unchanged form, Bilimovich managed to design a comprehensive model of a stationary circular flow (*stationäre Wirtschaft*).

In his subsequent studies in this area (Bilimovič 1943; Bilimovič 1944b) Bilimovich worked on the “dynamization” of the stationary circular-flow model. His idea was to present the dynamic process of economic change “in a cinema-like manner,”<sup>62</sup> that is, as a series of “shots” of the changing economy. In Bilimovich’s presentation, the initial shock in a particular year is assumed to come from increased investments by producers, which disrupts the stationary equilibrium and causes the changes of macroeconomic flows in the following years. An important element of the analysis, which Bilimovich introduced into his “dynamic schemes of economic process,” was the entrepreneurial reactions (*Unternehmerreaktionen*). According to these, growth of investment in particular year depends on the ratio between achieved and expected profits in the previous year.<sup>63</sup> Due to the volatility of profits and profit expectations the growth path of the economy follows a cyclical pattern.

In the United States Bilimovich returned to the modelling of economic circular flow. In the early 1950s he extended the concept of entrepreneurial reactions, which can be optimistic, pessimistic, or neutral, causing the fluctuations of the economy to be accordingly more or less explicit (Bilimovich 1951). Assuming an initial rise in investments in the production of capital goods and a sequence of optimistic and pessimistic entrepreneurial reactions, Bilimovich made a simulation of the dynamic circular flow covering a period of 24 years (Bilimovich 1953). The simulation showed that after a sharp oscillation in the first five years, the economy levels off into a regular cyclical pattern with a 10-year period.<sup>64</sup> In his last paper on this subject (Bilimovich 1954), Bilimovich emphasized the role of psychological factors (through entrepreneurial behaviour) in business cycles and considered the possibility of state intervention in case of extreme fluctuations.<sup>65</sup>

It is interesting that, with the exception of his innovative presentation of the *Tableau*, Bilimovich’s schemes of circular flow and his illustration of cyclical fluctuations did not cause any reactions in the academic circles. There were at least three reasons for this. First, in the 1950s economics was already strongly under the

<sup>60</sup>For Bilimovich’s graphical presentation of the *Tableau* see Bilimovič (1941, p. 16) and Bilimovič (1942, p. 205). Bilimovich was probably inspired by the schemes of Denis (1897), which, however, contained no quantities. Cf. Rieter (1983, pp. 66–67).

<sup>61</sup>Bilimovič (1942, pp. 219 ff).

<sup>62</sup>Bilimovič (1943, p. 12).

<sup>63</sup>Bilimovič (1944b, pp. 74–76).

<sup>64</sup>See Bilimovich (1953, pp. 22–23).

<sup>65</sup>See Bilimovich (1954, p. 306).

influence of Keynesian theory and policy, on the basis of which many economists (wrongly) concluded that business cycles belonged to the past.<sup>66</sup> Also, Keynesian models that started developing in that period (L. Klein) were useful for economic forecasting, while the usefulness of Bilimovich's schemes for economic policy was limited. Even Bilimovich himself stated that his dynamic schemes had exclusively "a descriptive and illustrative character."<sup>67</sup> The second reason could be found in the developments within mathematical economics and pure theory, to which Bilimovich's schemes actually belonged (they were part of his economic "nomography"). Here, in the 1950s, the prominent position was taken by the general equilibrium theory, which formed the theoretical core of neoclassical economics. John Hicks, Kenneth Arrow, Gerard Debreu, and other general equilibrium theorists aimed at continuing the original Walrasian tradition. Bilimovich's schemes, although similar in spirit to general equilibrium models (comparative statics), were thus left on the sidetrack of theoretical developments. And thirdly, after the war Bilimovich's work was already overshadowed by the achievements of the next generation of Russian emigrant economists, such as W. Leontief and S. Kuznets. Especially Leontief's input-output analysis was a great success, particularly because of its practical implications for economic planning. It is not insignificant that, like Bilimovich's schemes of circular flow, Leontief's intersectoral analysis was initially inspired by Quesnay's *Tableau*.<sup>68</sup>

#### IV. CONCLUSION

Aleksander Bilimovich is considered to have been one of the last representatives of the Kiev School of economics, which reached its peak at the end of the nineteenth century and then disappeared in the wave of the 1917 Revolution. Bilimovich, who continued his work in exile, developed his theoretical and methodological views along two lines of the Kiev tradition. On the one side he maintained the historical approach, which he applied especially in his analysis of agricultural development and business cycles. On the other hand, he showed increasing inclination towards a deductivist and mathematical approach, particularly in his econometric modelling of circular flow. In our view, this juxtaposition of two methodological approaches in Bilimovich's work can be understood as a legacy of his formative years in the Kiev circle of economists, influenced by the German Historical School as well as by the early Austrian marginalism and emerging neoclassical economics. Also, Bilimovich remained a strong opponent of socialist views and Marxism; such opposition was another typical feature of the Kiev economists.

An implication that follows from the paper is that the received view among historians of Russian economic thought about Bilimovich as having been a typical marginalist, who only in his last years put more stress on some social aspects of economics, is one-sided. It is based mostly on his German papers on value, published in Austrian economic journals in the interwar period. That view neglects a number of Bilimovich's works written in English, Slovenian, and Serbo-Croat languages,

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<sup>66</sup>Cf. Backhouse (2002, p. 236).

<sup>67</sup>See Bilimovič (1943, p. 12).

<sup>68</sup>For Bilimovich's (positive) opinion about Leontief's work see Bilimovich (1958, p. 207).

including his Slovenian economic textbook (Bilimovič 1933a), from which one can see that he retained several methodological features of the German Historical School.

The ambivalent position of the Kiev School towards historicism and neoclassicism was normal in the decades around the end of the nineteenth century when the Kuhnian paradigmatic shift was taking place in economics. We should not forget that in this period even Alfred Marshall exhibited in his work two completely different approaches: marginalist-neoclassical in his *Principles* and historical with institutional features in *Industry and Trade*.<sup>69</sup> Bilimovich was aware of the positive aspects of both of these two approaches. In his work he therefore maintained both neoclassical and historical analysis, thus extending the legacy of the Kiev School far into the twentieth century.

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<sup>69</sup>Marshall's positive views on historicism are presented in Hodgson (2005).

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