

# **GREAT Economists since Keynes**

*AN INTRODUCTION TO THE  
LIVES & WORKS OF ONE HUNDRED  
MODERN ECONOMISTS*

Second edition

# **MARK BLAUG**

*Professor Emeritus, University of London,  
Professor Emeritus, University of Buckingham  
and Visiting Professor, University of Exeter, UK*

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## Preface to the First Edition

This book is addressed to those who are studying economics for the first time, who hear their teachers dropping names like Friedman, Galbraith, and Samuelson, and want to know something about these modern economists and why they are considered important. This book describes the careers and contributions of 100 famous economists, each one of whom has left a mark on twentieth-century economics.

Why 100 and not 200 or 300? The number 100 is arbitrary: we have to draw the line somewhere and 100 is a round number. Similarly, I have interpreted 'modern' to mean living or recently deceased and I have interpreted 'recently deceased' to mean 'since 1970'; obviously, this cut-off date is as arbitrary as the number 100. In short, words like 'famous' and 'modern' cannot be defined so as to satisfy everyone. Needless to say, this is my own personal list of the 100 great names in modern economics and another author might have drawn up a slightly different list. Nevertheless, I feel sure that a referendum among living economists would endorse 90 and perhaps even 95 per cent of my list.

This book can be consulted like a reference book; every entry is self-contained and, hopefully, self-explanatory. However, it can also be read continuously from beginning to end, in which case it will provide a virtual survey of schools of and approaches to modern economics.

Mark Blaug, 1985

## Preface to the Second Edition

This book came out in 1985, over ten years ago. It was my personal list of 100 great names in modern economics, describing their careers and contributions in brief dictionary-type entries. The Royal Swedish Academy of Sciences confirmed most of my choices by their annual awards over the last decade of the Nobel Prize in Economics, or more correctly the 'Bank of Sweden Prize in Economic Sciences'. Thus, the Prize went to Franco Modigliani in 1985, James Buchanan in 1986, Robert Solow in 1987, Ronald Coase in 1991, Gary Becker in 1992, Robert Fogel and Douglass North in 1993, Robert Lucas in 1995, and all these will be found in my list of 100 most eminent economists. However, the Prize also went to Richard Stone in 1984, Maurice Allais in 1988, Trygve Haavelmo in 1989, Harry Markowitz, Merton Miller and William Sharpe in 1990, John Harsanyi, John Nash and Reinhard Selten in 1994 and James Mirrlees and William Vickrey in 1996 and none of these are found in this book. But that only goes to emphasise the point I made in the preface to the first edition of the book: any list like mine is arbitrary and all one can claim is that other economists would select, not the same 100, but at least 90 or 95 of the names. I think that that claim is confirmed by the Nobel Prize awards: in seven years out of twelve, the Swedish Academy of Science agreed with me about who are the greatest economists of our times.

Nevertheless, I had it wrong, so to speak, five times out of twelve, and that left me with a problem: should I alter my roll call of 100 outstanding modern economists to bring it into line with the opinions of the Swedish Academy, or should I stick to my guns and stay with my original list? I have opted for the latter course because to do anything else would turn the book into an attempt to read the mind of the Swedish judges. But if this book has any merit at all, it is that of expressing the purely subjective opinion of one (hopefully well-informed) consumer of economic writings.<sup>1</sup> In short, the list of

<sup>1</sup> For another subjective list of 150 major economists by two well-informed Canadian consumers of economic writings, see M.M. Beaud and G. Dostaler, *Economic Thought since Keynes: A History and Dictionary of Major Economists* (Edward Elgar, 1995). For a purely objective list of 1,000 eminent economists as judged by their frequency of citations, see my *Who's Who in Economics: A Biographical Dictionary of Major Economists, 1700–1986* (MIT Press, 1986).

100 names is the same in the second as in the first edition of this book but all the entries are revised and up-dated.

This book is addressed, in the first instance, to students but it is also aimed at members of the general public who feel the need to repair gaps in their knowledge about the House that Economists have built. Economics may not be the Queen of the Sciences but it is one of the most fascinating of all the social sciences, and here, between the covers of one volume, are thumb-nail sketches (and photographs) of the ideas and lives of 100 leaders of the economic profession. They make up a 'coat of many colours' and do not even agree among themselves about what economics is all about. Is economics an attempt to theorise about economic systems with a rigour and elegance that resembles work in nuclear physics, or is it instead a series of practical maxims about how to steer an economic system into desirable directions, or perhaps is it both of these at one and the same time, blending theory and application in an understanding of the workings of an economic system? There are elements of all of these approaches in the biographical portraits that follow. Let the reader make up his or her own mind.

Mark Blaug, 1998

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## List of Entries

- |                               |                        |                      |
|-------------------------------|------------------------|----------------------|
| 1. Adelman, I.                | 34. Hawtrey, R.G.*     | 68. Morishima, M.    |
| 2. Alchian, A.A.              | 35. Hayek, F.A. von*   | 69. Musgrave, R.A.   |
| 3. Arrow, K.J.                | 36. Hicks, J.R.*       | 70. Myrdal, G.*      |
| 4. Bain, J.S.*                | 37. Hirschman, A.O.    | 71. North, D.C.      |
| 5. Baumol, W.J.               | 38. Hotelling, H.*     | 72. Ohlin, B.G.*     |
| 6. Becker, G.S.               | 39. Isard, W.          | 73. Okun, A.M.*      |
| 7. Bergson, A.                | 40. Johnson, H.G.*     | 74. Pasinetti, L.L.  |
| 8. Boulding, K.E.*            | 41. Jorgenson, D.W.    | 75. Patinkin, D.*    |
| 9. Bowles, S.                 | 42. Kaldor, N.*        | 76. Phelps, E.S.     |
| 10. Buchanan, J.M.            | 43. Kalecki, M.*       | 77. Phillips, A.W.*  |
| 11. Burns, A.F.*              | 44. Kindleberger, C.P. | 78. Posner, R.A.     |
| 12. Chenery, H.B.             | 45. Klein, L.R.        | 79. Robbins, L.*     |
| 13. Clower, R.W.              | 46. Knight, F.H.*      | 80. Robinson, J.*    |
| 14. Coase, R.H.               | 47. Koopmans, T.C.*    | 81. Rostow, W.W.     |
| 15. Debreu, G.                | 48. Kornai, J.         | 82. Samuelson, P.A.  |
| 16. Demsetz, H.               | 49. Kuznets, S.*       | 83. Sargent, T.J.    |
| 17. Denison, E.F.*            | 50. Lancaster, K.J.    | 84. Schultz, T.W.*   |
| 18. Dobb, M.H.*               | 51. Leibenstein, H.*   | 85. Scitovsky, T.    |
| 19. Domar, E.D.               | 52. Leijonhufvud, A.   | 86. Sen, A.K.        |
| 20. Dorfman, R.               | 53. Leontief, W.W.     | 87. Shackle, G.L.S.* |
| 21. Douglas, P.H.*            | 54. Lerner, A.P.*      | 88. Simon, H.A.      |
| 22. Downs, A.                 | 55. Lewis, W.A.*       | 89. Solow, R.M.      |
| 23. Feldstein, M.             | 56. Lipsey, R.G.       | 90. Spence, M.A.     |
| 24. Fogel, R.W.               | 57. Little, I.M.D.     | 91. Sraffa, P.*      |
| 25. Friedman, M.              | 58. Lucas, Jr., R.E.   | 92. Stigler, G.J.*   |
| 26. Frisch, R.A.K.*           | 59. Machlup, F.*       | 93. Stiglitz, J.E.   |
| 27. Galbraith, J.K.           | 60. Malinvaud, E.      | 94. Tinbergen, J.*   |
| 28. Georgescu-<br>Roegen, N.* | 61. Marschak, J.*      | 95. Tobin, J.        |
| 29. Gerschenkron, A.*         | 62. McCloskey, D.      | 96. Triffin, R.*     |
| 30. Haberler, G.*             | 63. Meade, J.E.*       | 97. Tullock, G.      |
| 31. Hahn, F.                  | 64. Mincer, J.         | 98. Vanek, J.        |
| 32. Hansen, A.H.*             | 65. Mises, L.E. von*   | 99. Viner, J.*       |
| 33. Harrod, R.F.*             | 66. Modigliani, F.     | 100. Weintraub, S.*  |
|                               | 67. Morgenstern, O.*   |                      |

\* Deceased.



# Contents

Preface to First Edition	vii
Preface to Second Edition	ix
Acknowledgements	xi
List of Entries	xiii
GREAT ECONOMISTS SINCE KEYNES	1
Index of Names	303
Index of Subjects	307

**Adelman,  
Irma  
(1930– )**



Irma Adelman has made distinguished contributions to the development of computable general equilibrium models for developing planning and has collaborated with Cynthia T. Morris in a pioneering attempt to employ new techniques of multivariate analysis to study the interactions among economic, social, and political forces in the process of economic development. Latterly, she has also attempted to quantify the trade-off between economic growth and inequality in income distribution in particular countries.

Her first book was a purely theoretical survey of *Theories of Economic Growth and Development* (Stanford University Press, 1961; 2nd edn, 1974) in which she attempted to express the ideas of some of the major economists of the past (Adam Smith, David Ricardo, Karl Marx, and Joseph Schumpeter) by means of a single but comprehensive mathematical model of the growth process. Next came *The Theory and Design of Economic Development* (Johns Hopkins University Press, 1966), edited with E. Thorbecke, which contained one of her many efforts to construct a computable planning model for a Third World country, in this case, Korea. But her present reputation was only firmly established with the publication of *Society, Politics, and Economic Development: A Quantitative Approach* (Johns Hopkins University Press, 1967), co-authored by C.T. Morris, which announced a new interdisciplinary framework for the quantitative

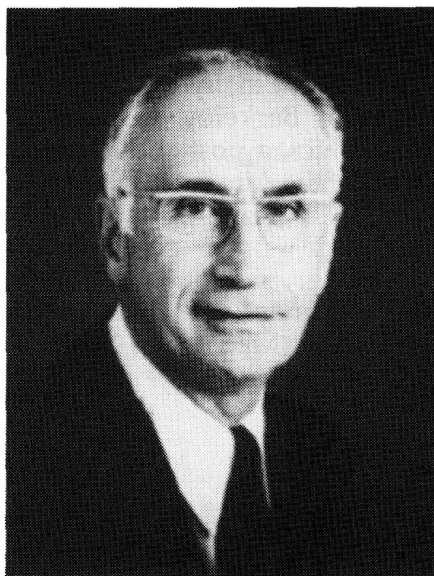
analysis of the causal factors in the development process. *Society, Politics and Economic Development* analysed the statistical association between various indicators of economic development and a large variety of economic, social and political factors responsible for economic development, using cross-section data for forty-three developing countries. Adelman and Morris employed a statistical tool rarely used by economists, 'factor analysis', which has the virtue of grouping a large body of data into a smaller number of 'factors' that are capable of providing the explanations. Their findings drew attention to a number of elements that had not hitherto been regarded by development economists as critical to the development process, such as the degree of political stability and the degree of 'sophistication' of financial markets in a country. *Society, Politics and Economic Development* was followed first by *Comparative Patterns of Economic Development, 1850-1914* (Johns Hopkins University Press, 1988), again with C.T. Morris, and then by *Economic Growth and Social Equity in Developing Countries* (Stanford University Press, 1973), which applied a similar technique to the same data base in an effort to explain the shares of income accruing to the poorest households in developing countries; it demonstrated that economic growth as such does not automatically raise the income shares of the poor, even when the countries in question are semi-developed rather than underdeveloped, thus contradicting the famous Kuznets inverse-U relationship (see Kuznets, S.). The lessons of that book are amply displayed in one of Adelman's most readable and controversial articles, 'Development Economics: A Reassessment of Goals', *American Economic Review*, May 1975, a summary of her book *Redistribution before Growth: A Strategy for Developing Countries* (Martinus Nijhoff, 1978). A more recent book on *Income Distribution Policy in Developing Countries: A Case Study of Korea* (Stanford University Press, 1977), with S. Robinson, provides a specific case study of the possible conflict between equity and growth in the Third World.

Adelman was born in 1930 in Romania but took all her degrees from the University of California, Berkeley: a BS in 1949 (at the age of nineteen!), an MA in 1950, and a PhD in 1955. She began teaching at Berkeley in 1955, joined the staff at Stanford University in 1962, moved to Johns Hopkins University and, finally, to Northwestern University in 1966, where she became a professor. In 1971 she spent a year at the World Bank in Washington as Senior Economist in the Bank's Development Research Center. The following year she be-

came a Professor of Economics at the University of Maryland. In 1977–8 she was a Fellow at the Netherlands Institute for Advanced Study in the Humanities and Social Sciences. Finally, in 1979,<sup>3</sup> she returned to the University of California, Berkeley, to become Professor of Agricultural Resource Economics, a post she holds to this day. She was elected as Vice-President of the American Economic Association in 1979.

*Primary Literature*

I. Adelman, 'Confessions of an Incurable Romantic', in J.H. Kregel (ed.), *Recollections of Eminent Economists*, vol. 2 (Macmillan, 1989).



**Alchian**  
**Armen A.**  
**(1914– )**

Armen Alchian is best known to students for his introductory textbook, *University Economics* (Wadsworth, 1964; 3rd edn, 1972 abridged as *Exchange and Production*, Wadsworth, 1969; 2nd edn, 1983), written jointly with W.R. Allen, which stands out among all of its rivals by a consistent emphasis on the actual or potential role of markets as a device for organising economic life, making due allowance for the transaction and information costs involved in creating markets and the divisible or indivisible benefits to individual economic agents of operating markets.

To his fellow economists, however, Alchian is the author of a small but influential series of articles: as modern economists go, Alchian writes little but makes every publication count. His *Economic Forces at Work* (Liberty Press, 1977) reprints eighteen of his masterful papers, including such gems as 'Uncertainty, Evolution and Economic Theory' (1950) which suggested a new Darwinian justification for some of the standard assumptions of economic theory; 'The Meaning and Validity of the Inflation induced Lag of Wages' (1960), with R.A. Kessel, which exploded the myth that past inflations had accelerated economic growth by redistributing income in favour of profits; and 'Information Costs, Pricing and Resource Unemployment' (1969), which provides an explanation for Keynesian 'unemployment equilibrium' without invoking Keynes's

assumption of rigid wages. 'Production, Information Costs, and Economic Organization' (1972), co-authored by H. Demsetz, is another one of Alchian's immensely influential papers: it is almost the first to take up the suggestion of R.H. Coase (q.v.) that transaction costs are the key to the creation of business firms and to think through the implications of that idea for the employment relationship between labour and management (see Demsetz, H.).

'Uncertainty, Evolution and Economic Theory', the first of these papers, must number among the five or ten most cited articles of post-war economics. Do businessmen really strive to maximise profits? If they do, certain things follow about pricing policies and the effects of particular taxes on output and price. So we can check on whether they do by investigating the impact of taxes. But such research is difficult and so, alternatively, we may try asking businessmen just what does motivate their activities. But direct inquiries of motives are as difficult and ambiguous in their results as studies of the impact of taxes. What Alchian suggested instead was the study of the 'survival process': the price system itself is a Darwinian mechanism that selects the 'fit' and rejects the 'unfit', where 'fitness' is judged in terms of the ability to make greater profits than your competitors. Not all businessmen maximise profits but those who fail to do so go bankrupt and hence, in time, we observe only profit-maximisers. This argument serves to justify the general assumption of profit maximisation without having to argue each and every counter-example. No wonder then that Alchian's article achieved immediate fame and was repeatedly invoked by Milton Friedman in an even more famous article, 'Essay on the Methodology of Positive Economics' (*Essays in Positive Economics*, University of Chicago Press, 1953), which argued that the validity of economic theories did not depend on making 'realistic' assumptions about the motivations of economic agents.

Similarly, Alchian's 'Information Costs, Pricing and Resource Unemployment' was the beginning of all later 'job search' theories of unemployment. Alchian's original insight was to note that it takes time to gather information about job opportunities at various wage rates and that time is costly; hence, much, and perhaps all, observed unemployment is simply the lengthening of search-time as job offerings become scarcer, being a rational response to rising information costs. One implication of this argument is that the existence of unemployment benefits causes still more unemployment, but this is

only one of many of the controversial implications of job search theories (see Phelps, E.S.). Hence, as elsewhere, Alchian has opened up vistas that others have spent years exploring more fully. There can be no greater compliment than this.

Alchian was born in Fresno, California, in 1914 and his entire life has been spent in the State of California: a BA in 1936 and PhD in 1944 from Stanford University, a post as economist with the Rand Corporation in Santa Monica (1947–64), and, finally, a professorship at the University of California, Los Angeles, since 1958.

**Arrow,  
Kenneth J.  
(1921– )**



Economists are not unaccustomed to brilliant doctoral dissertations by relatively unknown youngsters – witness Samuelson's *Foundations* and Becker's *Economics of Discrimination* – but Kenneth Arrow's doctoral thesis, *Social Choice and Individual Values* (Wiley, 1951; 2nd edn, Yale University Press, 1963), is in a class by itself. Employing the notational system of symbolic logic, at the time unfamiliar to economists, Arrow proposed to solve a question in politics which no economist and few political scientists had ever posed: suppose all individuals can rank all states of the world in order of preference, is it possible to find a voting rule that will always select one of those states as 'most preferred'?

The most popular voting rule, majority choice, may easily fail to express a unique social preference. Consider, for example, the simple case where three individuals A, B, and C are asked to vote for three alternative states of the world,  $x$ ,  $y$ , and  $z$ . Now suppose A prefers  $x$  to  $y$  and  $y$  to  $z$ , B also prefers  $y$  to  $z$  but instead prefers  $z$  to  $x$ , whereas C like B prefers  $z$  to  $x$  but like A prefers  $x$  to  $y$ . It is easily checked that  $x$  wins over  $y$  by the two votes of A and C,  $y$  wins over  $z$  by the two votes of A and B, but, unfortunately,  $x$  does not therefore win over  $z$  because  $z$  in turn wins over  $x$  by the two votes of B and C. In other words, in this simple case of three voters and three alternative options, the democratic method of majority choice leads to a stalemate.



What Arrow now demonstrated was that this stalemate can occur, not just under a constitution based on the principle of majority rule, but under every conceivable constitution except that of dictatorship: it is logically impossible to add up or otherwise combine the choices of individuals into an unambiguous social choice except by rigging the 'constitution', for example, by confining all choices to two and only two options, either directly or indirectly through political parties and parliamentary representatives.

Arrow's 'impossibility theorem' appeared to have such startling consequences for both political philosophy and welfare economics that literally hundreds of papers have been written to refute it. But Arrow's theorem has withstood all technical criticisms and has never been decisively challenged on its own grounds. Its significance for welfare economics, however, is frequently misunderstood as implying the impossibility of a 'social welfare function' (see Bergson, A.). But Arrow's 'constitutional function' is not identical with Bergson's 'social welfare function'. Bergson's 'social welfare function' says that a competitive equilibrium can achieve any Pareto-optimal solution (see Lerner, A.P.), provided the original endowments of income in the economy are altered by lump-sum transfers of income: the social welfare function expresses the community's agreement on the size and direction of these transfers. Obviously, there is no sense in which it is impossible to form such a function. However, if we ask: how are we to get the community's agreement on lump-sum income transfers?, then indeed Arrow's 'constitutional function' becomes directly relevant. In short, the 'impossibility theorem' is a theorem about politics, not economics.

After making his name with *Social Choice and Individual Values*, Arrow joined forces with Gerard Debreu to rework the standard 'existence proofs' for general equilibrium, principally in a classic paper, 'Existence of Equilibrium for a Competitive Economy', *Econometrica*, July 1954. Leon Walras, the nineteenth-century inventor of general equilibrium theory, believed that one can prove the existence of simultaneous equilibrium in all the markets of an economy simply by counting equations and unknowns to make sure that one has as many known demand-and-supply equations as unknown prices to be determined. It had long been known that an adequate proof must go beyond counting equations and unknowns but a rigorous proof of the existence of a general equilibrium solution had nevertheless defeated everyone before Arrow and Debreu.