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978-0-521-87482-3 - Harry Johnson: A Life in Economics

D. E. Moggridge

Excerpt

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## Introduction

Harry Johnson . . . bestrode our discipline like a Colossus.

A Nobel Prize? He was the people's choice within the profession. Though selection committees stress quantum innovations, sooner or later they would surely have rewarded the massive incremental and synthetic advancement of knowledge that Johnson achieved.

Tobin 1978, 443, 457

During the past two decades Harry Johnson . . . towered above the rank and file of economists, not only in contributions to international economics but more importantly . . . he stood large and alone among economists as a wide-ranging social critic who was constantly extending the boundaries of economics.

He more than anyone else took up the tremendous task of clearing the tangled thicket of half-truths in economics. A phrase from Saul Bellow tells it all, “. . . to live, to breathe, to be, we must get clear of the rubbish and the cliches.”

Schultz, Harry G. Johnson Memorial Meeting, 3

Thus two Nobel laureates, James Tobin and T. W. Schultz, remembered Harry Johnson after his death in 1977. He was not the best known living Canadian-born economist; John Kenneth Galbraith occupied that position. But Harry, as he was known throughout the profession, was certainly the best known Canadian-citizen economist. Outside the profession, except in Canada and Great Britain, where he was a public intellectual, he was relatively unknown.

During his brief professional career, cut short by a stroke in 1973 and his death in 1977 just over two weeks before his 54th birthday, Harry Johnson played a dominant role in two areas of economics. In the development of trade theory in the Heckscher–Ohlin tradition, he made fundamental contributions to the theory of tariffs and to the formal theory of trade and growth. He also began to move beyond Heckscher–Ohlin to the “new trade theory” now associated with Paul Krugman and others. In monetary and international monetary economics, he was almost as seminal a figure.

In classic surveys of the literature, he identified and explained the links between the ideas of the major postwar innovators in monetary theory and, in his discussion of issues that would benefit from further research, set the profession's agenda for a generation. He was the founding contributor to the monetary approach to the balance of payments. He creatively extended economic analysis to encompass new phenomena – opulence, economic nationalism, science policy, and the organisation and working of institutions of higher education.

He was the most peripatetic economist of his generation, speeding ideas around the world. He was a missionary for what he called scientific economics and played an important role in raising professional standards and improving professional training in Canada and Britain. As a major figure in turning economics into an international enterprise, he knew everybody.

Moreover, his skills were recognised early and exploited. In June 1949 he was invited to join the Advisory Board of Editors of the *Review of Economic Studies*. Two years later he became Assistant Editor. His editorial career would include editorships of the *Journal of Political Economy* (twice), the *Manchester School*, and *Economica*, as well as a watching brief on the *Journal of International Economics*. He was the best editor of his generation. With his encyclopedic knowledge of the literature and the profession, he could guide authors in fruitful directions and place their contributions in the context of contemporary developments in the discipline. Here his constant travelling, conference-going, and networking played a crucial role. He was on to trends before they appeared in print. He once remarked that if he had relied on libraries or publication he would be at least two years behind where he was and thus be obsolete (see discussion in Chapter 12).

His contemporaries recognised his skills as an expositor. Almost all of the organisers of the leading lectures in economics welcomed his participation – the Wicksell (Sweden), the de Vries (Netherlands), the Stamp (Great Britain), the Ely (United States), the Innis (Canada), the Jahnsson (Finland), the Horowitz (Israel) – not to mention hundreds of seminars and local lectures. His knowledge of the literature made him the ideal person to provide the concluding remarks at conferences. He made lecture tours of Australia and New Zealand. In the last eleven months of his travels, although he had never fully recovered from his earlier stroke, he visited fifteen countries.

His contemporaries honoured him with honorary degrees (seven); fellowships (the American Academy of Arts and Sciences, the British Academy, the Royal Society of Canada, and the Econometric Society); prizes (including the Innis-Gérin medal of the Royal Society of Canada, the Bernhard Harms Prize of the University of Kiel, and the Prix Mondial Messin Habif of

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the University of Geneva); and, because he was also competent, professional society offices – the Canadian Political Science Association, the British Association of University Teachers of Economics, and Section F of the British Association for the Advancement of Science. If he had lived longer, he would probably have served as president of the American Economic Association. He had been considered as a possible president of the Royal Economic Society well before he died, but he had been thought too controversial with his zeal for reform and too “difficult” (British Library of Political and Economic Science, Royal Economic Society Archives, RES4/4/4, E. A. G. Robinson to Charles Carter, 11 February 1970). He had been nominated for the Nobel Prize in economics but whether he would have received it had he lived is more debatable.<sup>1</sup>

All his achievements occurred in a professional life that lasted just over twenty-eight years. He produced over five hundred academic papers and fifteen books or pamphlets, as well as numerous edited collections. He left institutions behind him – the “study group” in the social sciences in Britain; the before-the-beginning-of-term crash course in mathematics and statistics that starts graduate programmes in economics. And he was read: His colleagues and graduate students eagerly awaited his latest surveys of the state of the art. In the last six years of his life, with an average of 249 citations per year, he was the second most-cited international economist after Paul Samuelson.

Harry’s active academic life spanned important years in the history of economics. In trade theory, it was the period when the Heckscher–Ohlin model was elaborated and filled out and when “new” theories of trade made their appearance. In monetary economics, Keynesianism rose to dominance before fading in the face of monetarism. The latter was part of a broader trend that brought back a liberal tradition in economic theory and policy that seemed to have fallen victim to two world wars and a depression. As a student at Toronto, Cambridge, and Harvard and a faculty member at St. Francis Xavier and Cambridge, Harry started a man of the left, favourably disposed to the economic and social reform and the political and economic views of the Cambridge Keynesians. In 1952 Dennis Robertson saw him becoming “the first manager of Branch X of the United Bank of the British (? or Canadian) Soviet Socialist Republic” (see discussion in Chapter 6). Yet, and not just after his move to Chicago, he was at the centre of the liberalising

<sup>1</sup> Both James Tobin and Gottfried Haberler thought he would have received it had he lived (Tobin 1978, 457; Hoover Institution, Haberler Papers, Box 18, Haberler to E. Johnson, 23 May 1977).

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movement – to which he made substantial contributions both as a theorist and as a commentator on contemporary policy developments and evolving institutions. A classic example of this was his making the case for a free trade agreement with the United States in September 1960 to a meeting of liberally minded Canadians concerned with the rejuvenation of the Liberal Party of Canada. He was “too liberal for the Liberals” (see discussion in Chapter 9). But such an agreement came into force in 1989 – in part the result of his nurturing Canadian opinion. His views about the regulation of financial institutions provide another example. These views, derided by Robertson in 1952, were far removed from his advocacy of competition in British banking in the late 1960s and early 1970s.

The purpose of this book is to trace Harry Johnson’s intellectual biography and his contributions to the discipline of economics. Its first source is his publications: His bibliography runs to fifty-three printed pages of the *Journal of Political Economy* (Longawa 1984). The second source is the memoirs and assessments of his contemporaries and his students. His papers and those of his contemporaries, which are scattered in archives on both sides of the Atlantic, including institutional archives, are the third source.

Harry himself also left behind a substantial amount of autobiographical material. The earliest fragment, “Analysis of Rooming House Group,” provided the basis for a graduate term paper at the University of Toronto in 1946–7 (Box 31, Toombs Human Relations Industry). His 1969 Autobiographical Notes, which unlike “Harry Johnson’s Contributions to Economics: An Evaluation by Himself” of February 1974 (Box 31, Manuscripts 1973–4) was listed in his bibliography (Longawa 1984, 703), accompanied the creation of a repository for his published works at Lakehead University in Thunder Bay, Ontario. The first of the published autobiographical sketches, “Cambridge in the 1950s: Memoirs of an Economist” (1974), was prepared for a pair of talks given by Harry and his wife Elizabeth at Amherst College on 19 February 1973. The second, “Cambridge as an Academic Environment in the Early 1930s: A Reconstruction from the Late 1940s” (1977), was an attempt, as he put it, to answer the question: “What, then, was Cambridge like as an environment for economic discussion and research in the period of the writing of *The General Theory*?” (1978a, 84) for a conference devoted to those years of creation for Keynes. These two papers were collected together with other pieces on Cambridge and Keynes in *The Shadow of Keynes* (1978e). One of the origins for the 1974 Self-Evaluation was the stimulation provided by a colleague at the Graduate Institute of International Studies in Geneva. Gerard Curzon told Harry that his name

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had been suggested for a Nobel Prize in economics and remarked that the only person who could do justice to the range of his interests was Harry himself. Harry responded with a thirty-two page evaluation written in the third person, attaching a brief curriculum vitae and a bibliography classed by type of publication. There were probably other influences. Harry's stroke in October 1973 and his resignation from his chair at the London School of Economics (LSE) in 1974 shook him deeply and caused him to reevaluate his past. During August and September 1974, while he was clearing up his affairs in London, he wrote four memoirs: one covering his life to 1943 and concentrates on his undergraduate education at the University of Toronto (1974 Memoir I); another focuses on his year (1943–4) as the one-man economics department at St. Francis Xavier University at Antigonish, Nova Scotia (1974 Memoir II); and two deal with his years at LSE (1974 Memoirs III and IV). These memoirs were probably also an outlet for his restless energy. Before his stroke, a major outlet for this energy, other than work and travel, had been the carving of small figures or puzzles in wood. He had started this as a boy but took it up again seriously as an adult when he stopped smoking in 1956. Although he was ambidextrous, he carved with his dominant left hand. The stroke affected his left side and forced him to find substitutes. He tried working with his other hand with a vise attached to his desk. For a time he tried animal silhouettes made with an electric saw and Elmer's glue. He also tried small figures in plasticine. In these circumstances, memoir-writing became a form of therapy. In the end, travel became the best therapy – and he pursued it more assiduously in the last year of his life than ever before. But autobiography kept intruding, as in his tribute and reminiscence of “Ruth Cohen: A Neglected Contributor to Contemporary Capital Theory,” which appeared in *The Shadow of Keynes*, and in his last published paper, “Networks of Economists and International Monetary Reform” (1982), which was a reflection on two such networks in which he had participated.

At the heart of any autobiography is the subject's memory, which may be supplemented by diaries, correspondence, and other external evidence. Psychologists and others have been concerned with the character of memory for decades given the importance of memory in many walks of life and the consequences of memory loss. Although the first experiments with what psychologists now refer to as autobiographical memory date from 1879, the serious study of such memory dates from the 1980s.<sup>2</sup> Nonetheless there were

<sup>2</sup> For a good collection of essays on autobiographical memory with an historical dimension that stretches from the nineteenth century to the present, see Draaisma (2004).

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studies of other types of memory. For example, in a classic study by F. C. Bartlett, *Remembering* (1932), which included experiments using a native American folktale, “The War of the Ghosts,” adapted from a translation by Franz Boas, the following experimental results emerged.

1. It appears that accuracy of reproduction, in a literal sense, is the rare exception. . . .
2. In a chain of reproductions obtained from a single individual, the general form or outline is remarkably persistent. . . .
4. With frequent reproduction the form and items of remembered detail very quickly become strengthened and thereafter suffer little change.
5. With infrequent reproduction, omission of detail, simplification of events and structure, and transformation of items into more familiar detail may go on almost indefinitely, or so long as unaided recall is possible.
6. . . . [I]n long-distance remembering, elaboration becomes more common in some cases; and there may be increasing importation, or invention. . . .
8. Detail is outstanding when it fits in with a subject’s pre-formed interests and tendencies. It is then remembered, though often transformed and it tends to take a progressively earlier place in successive reproductions. . . .
10. In all successive rememberings, rationalisation, the reduction of material to a form which can be readily and ‘satisfyingly’ dealt with is very prominent. (93–4)

The recent studies of autobiographical memory suggest that as the memory has to deal with more complex situations it becomes less accurate. The construction of autobiographical memories from their various components will also be “guided by the person’s goals at the time of retrieval, as well as by the goals at the time of encoding [the components, so that] changes in what is remembered should be expected” (Rubin 1996, 4). The presence of specific details may convince individuals that the remembered event occurred, even when there is evidence that it did not (5). High levels of emotional stress increase accurate recall, while depression leads to the recall of general rather than specific events (10).

A central process in the working memory constructs and maintains autobiographical memories, which are stored in the long-term memory. The knowledge is indexed by “personally meaningful and self-relevant themes” (Conway 1996, 72). These themes, which are central to psychoanalysis, may be period-specific (e.g., to transitions such as university or the achievement of specific possible selves). But such knowledge is selectively encoded so memories are never “complete.”

Events that do not impinge upon the current themes, plans and goals of the self, and that do not correspond to existing autobiographical knowledge structures, may

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simply not be encoded in long-term memory. Thus event knowledge is only incompletely retained and events themselves are only retained to the extent that they are self-relevant and/or compatible with the relevant pre-existing long-term knowledge. (87–8)

Memories are not complete, but they are not necessarily inaccurate. They are likely to be fairly accurate if only because if autobiographical memory exists to provide some record of past selves, one needs records of relevant episodes such as the attainment of particular goals. C. R. Barclay believes

most autobiographical memories are true but inaccurate. What is remembered in particular does not reflect the way some event really happened. These errors . . . may be mediated by an accurate “self-portrait” because not just any “memory” is acceptable as one’s own. The sense of familiarity created by an event is associated with a judgment that the event is true to what most likely occurred and consistent with what should have happened. (1986, 97)

References to events such as leaving university leads us to another characteristic of autobiographical memories, their concentration – what Draaisma calls “the reminiscence effect” (2004, 193). Investigators in study after study have found that the density of memories is “humped” with a peak in early adulthood. The young adulthood hump is stable across cultures and characterises all kinds of memories – movies, songs, styles of clothing, members of sports teams (Rubin, Rahall, and Poon 1998). It is robust and “cannot be expunged completely even under extreme pathological conditions” (Draaisma 2004, 193). The same hump appears for autobiographically consequential memories. Of course, there are several possible explanations. The simplest is that significant first times occur more frequently during early adulthood.

During our youth and early adult years events occur that shape our personality, determine our identity and guide the course of our life. Accidental encounters, a book that made a great impression on us, a penetrating talk that made us suddenly realize what we wanted to do with our life – we are at our most responsive to that sort of event during those years. The [reminiscence] effect contrives that someone, once in his life, recalls the events that have turned him into what he now is . . . [but] the narrator tries to make them look more or less coherent. (195)

Economists are no exception to this tendency to judge from a study of twenty-four article-length autobiographies (Weintraub 2005).

Harry’s memoirs did not always concentrate on the years of young adulthood, which as he was born in 1923 would take him to his early years in

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Manchester after 1956. That is not surprising: He was still in middle age when he wrote the memoirs. His 1969 Autobiographical Notes come closest to the general pattern with the first seven pages being concerned with his family and his education, the next two with his years in Cambridge and the last seven to his subsequent career. In contrast, his 1974 Self-Evaluation devotes only three pages to his student days, three to his years in Cambridge and then eleven to Chicago from 1959 to 1966 and eleven to the Chicago/LSE years. But if one takes the full range of the memoirs, Harry is typical.

Harry's memoirs, generally speaking, are internally consistent. They are, however, not always accurate on such things as the details of particular courses at Toronto or particular details of teaching arrangements at Cambridge. Their level of accuracy is, moreover, questionable over several events that Harry made much of: the importance of the liquidity preference versus loanable funds debate in Cambridge immediately after the war; his own choice of fields of specialisation in the 1940s; his experience with a Harvard doctoral dissertation, which he abandoned in the early 1950s; his 1958 decision to leave the University of Manchester; his involvement in discussions of Canadian economic policy after his arrival in Chicago in 1959; his "policy" in Chicago "of avoiding conflict with senior economists – specifically Milton Friedman" (1974 Self Evaluation, 16); and his relationships with his colleagues, both senior and junior, at LSE.

The memoirs have a common characteristic that reflects Harry's definition of himself. He always tended to see himself as an outsider. This probably made some sense as a 9-year-old city-bred, privately educated student in a two-room local public school in Scarborough in 1932–3; as a socially unsophisticated and immature 16-year-old undergraduate entering the University of Toronto in 1939; as a 20-year-old Toronto Protestant professor of economics at the Scots-Catholic St. Francis Xavier University in Antigonish, Nova Scotia, in 1943; or as a newly arrived student in Cambridge in October 1945. But it looked odder the longer he stayed in Cambridge, as he became a fellow of King's College and an Apostle. It looked even odder when he returned to England in 1966 as Lionel Robbins's successor at LSE. Nonetheless, perhaps because he retained his Chicago connection, he continued to behave as a social anthropologist examining the behaviour of some exotic tribe to many of whose rituals he was admitted by virtue of office. In some cases, this led to peculiar results.

Inevitably, I have used Harry's memoirs often. Wherever possible, I have tried to check them against other material. But that has not always been possible. The reader should treat the autobiographical evidence as



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being at best the same quality as more conventional documentary evidence.

In the course of working on this biography I have incurred innumerable debts. The longest standing are to Ed Safarian, the colleague who first raised the idea of an intellectual biography, and Harry's widow, Elizabeth Simpson, my former coeditor of the *Collected Writings of John Maynard Keynes*, who assisted my passage in innumerable ways. The Donner Canadian Foundation generously agreed to finance the project and were patient when periods of academic administration slowed things down. Then there are my debts to archivists and librarians. The most important here are Dan Meyer of the University of Chicago who informed me of an agreement among research libraries for the lending of archives that made it possible for the Johnson Papers to migrate to Canada and to Richard Landon, the director of the Thomas Fisher Rare Book Library at the University of Toronto, who provided them with a home and me with research space and the support of Luba Frastacky. Thanks here are also due to the University of Toronto Press in the form of Ron Schoeffel, who took the papers across the border on the regular runs between the Press's warehouses in Toronto and Buffalo. Thanks are also due to archivists at the British Library of Political and Economic Science; the U.K. National Archives at Kew; Cambridge University Library; the Hoover Institution at Stanford University; the Houghton Library at Harvard University; Jesus College, Cambridge; the Modern Archive Centre at King's College, Cambridge; the Perkins Library at Duke University; the Public Archives of Canada; the Regenstein Library at the University of Chicago; St. Francis Xavier University; the Thomas Fisher Rare Book Library at the University of Toronto; the University of Toronto Archives; University of Toronto Schools; and the Wren Library at Trinity College, Cambridge. I also thank the Director of the London School of Economics for making Harry's Personal File available, Christopher Johnson for allowing me to use and quote from Lionel Robbins's Papers, the Provost and Scholars of King's College, Cambridge for permission to quote material in the Kahn and Kaldor Papers, Elizabeth Simpson for permission to quote from Harry's published and unpublished writings, Richard Landon for permission to reproduce a photograph of Harry from the Blatz Papers, Roger Vaughan for permission to reproduce "The Octograph," and Donald Winch for easing my way into certain parts of the Royal Economic Society Archives. In the course of my work, I received research assistance from Megan MacGarvie, Kathy Rasmussen, and the late Shauna Saunders. I would also like to thank George Altmeyer, Mark Blaug, James Cameron, Dennis Coppock, Hugh Corbett,

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Max Corden, Meghnad Desai, Christopher Foster, the late Milton Friedman, Geoff Harcourt, Al Harberger, Jack Johnston, David Laidler, Allan MacEachan, R. M. MacIntosh, Joseph MacNeil, Alvin Marty, the late Don Patinkin, Will Peters, Ed Safarian, Aubrey Silberston, and participants at the Harry Johnson Remembrance and Appreciation Session organised by Larry Moss for the History of Economics Society Meeting at Vancouver in July 2000 for information and help over various details. I enjoyed helpful discussions with Dan Hammond and participants at the 2005 History of Economics Society meetings at Tacoma, as well as those attending the 2005 British History of Economic Thought Conference at Exeter, on a paper on the evolution of Harry's macroeconomics and his attitudes to Keynes. When this volume was in draft, *History of Political Economy's* 2006 Conference on Lifewriting and the History of Economic Thought allowed me to exchange ideas with fellow practitioners. Finally, I thank those who have read and commented on various drafts: Sue Howson, who spent the summer of 2004 on what I came to call "persecution," going through my draft with a very fine toothed comb; Elizabeth Simpson, who spent the summer of 2005 applying her experienced editorial skills to the manuscript; Roger Backhouse; David Laidler; and Ed Safarian.

In the pages that follow, I have used the now normal convention of referring to published work by author and date. In Harry's case, I have also used short forms for his published books and collections of articles. The short forms are as follows:

*ATT* – *Aspects of the Theory of Tariffs* (1971)

*CQ* – *The Canadian Quandary: Economic Problems and Policies* (1963; 2nd ed. 1977; 3rd ed. 2006)

*E&S* – *On Economics and Society* (1975)

*EPLDC* – *Economic Policies Towards Less Developed Countries* (1967)

*EME* – *Essays in Monetary Economics* (1967)

*FEME* – *Further Essays in Monetary Economics* (1973)

*IMC* – *Inflation and the Monetarist Controversy* (1972)

*ITEG* – *International Trade and Economic Growth; Studies in Pure Theory* (1958)

*MABP* – *The Monetary Approach to the Balance of Payments* (ed. with Jacob Frenkel) (1975)

*MMT* – *Macroeconomics and Monetary Theory* (1971)

*MTEG* – *Money, Trade and Economic Growth: Survey Lectures in Economic Theory* (1962)

*SEME* – *Selected Essays in Monetary Economics* (1978)