Introduction

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The former collection of *Eminent Economists* edited by Michael Szenberg (1992), profiling twenty-two preeminent economists of the preceding decade, has been successful in whetting the appetite of readers but not satiating it. Rather, the idea of such a compilation has created such a niche for itself among economists, readers, and students that it stands to become a genre in itself. Just as William Shakespeare questions the law of diminishing returns in his play *Twelfth Night; or, What You Will* when Duke Orsino asks for an excess of music that may sicken his appetite for love, readers here seem to want more philosophies and stories of the lives and times of eminent economists. Just as more music will not kill Orsino's love for the beautiful Lady Olivia, these compilations will keep inspiring new generations of economists bridging times.

Finance and economics combine to form the bedrock of modern-day society, and these economists occupy an important podium attempting to satisfy limitless human wants within the limits of Mother Nature in a

sustainable and incremental way. They formulate ideas drawing knowledge from other fields such as mathematics, computer technology, and human behavior, collecting and collating hundreds of bytes of data to understand the forces of the market and make human life just a bit better.

These eminent economists are prominent faces in electronic media today, trying to explain the economic problem-solution paradigm to the public, in the classroom preparing the next generation of leaders, and advising policy makers in the government. Behind the curtains they toil, burning the midnight oil to build economic models and explain situational logic and empirical facts. A compendium like this one is a beautiful attempt to bring several ideologies together on a single platform so that the reader is able to compare, contrast, critique, and perhaps identify with, and advance, a particular school of thought.

Readers can seek to identify levers that propelled these economists and how some of them used even life-threatening experiences to evolve groundbreaking theories. Anne Krueger writes how she was influenced by news and events of the Second World War as well as by graduate students in regard to "disguised unemployment," which channeled her thought processes in the direction of the international economy. For another group of economists, it may have been just a book that intrigued them enough to explore further. Harold Demsetz was influenced by Edward Chamberlin's *Theory of Monopolistic Competition* (1933), and Michael Intriligator tells us how his teacher had him read Roy Harrod's *Life of Keynes* and how it changed his life.

In his seminal masterpiece, *The Open Society and Its Enemies*, Karl Popper wrote: "The analysis of the situation, the situational logic, plays a very important part in social life as well as the social sciences. It is, in fact, the method of economic analysis" (Popper 2003: 107).

Quite a few of the contributors to this volume have appealed to situational logic.

Vernon Smith, anchoring his learning in faith, writes that "if the universe had always existed it seemed that there was room aplenty for Einstein's impersonal God, the deism of natural rules, order, and beauty, to say nothing of agnosticism and atheism." His view of determinism is coupled with situations as well. For instance, his experiment revealed that the Great Recession can be explained by the situational logic of the Great Depression: "These data are just a rerun of comparable movements in new housing expenditures before and during the Depression, when the investment boom in housing was shorter-lived than in the recent run … starting in 1922 it rose to fraternal twin peaks in 1925 and 1926, when expenditures stood almost 60 percent above their 1929 level. By 1933 new housing expenditures had catered to more than 85 percent below their 1929 level."

In a similar fashion Avinash Dixit writes: "Economics is all around you, and it is not the least bit dismal. Learn to recognize it, appreciate it, and enjoy it." Having grown up in a Berkeley environment and always surrounded by professors, Barry Eichengreen surmises: "Put an undergraduate in an unstructured environment and he or she will go in one of two directions. One is off the deep end, which for my classmates meant making candles in Ben Lomand. The other is in search of more structure. This is my best explanation for how I ended up in economics." Drawing more upon situational logic Clair Brown writes, "The Vietnam War helped women enter the economics field because when the draft lottery began in 1970 and graduate studies no longer provided draft deferment, the universities were scrambling to replace male graduate students who were drafted and others who decided not to apply." In the same vein, Elinor Ostrom relates how conditions during the Great Depression taught her "a lot about the household economics of a poor family – long before [she] studied these problems in developing countries," while Anwar Shaikh describes how meeting with Joan Robinson set the stage for his important contribution known as the "Humbug production function."

Though only a shade away from faith, luck plays a role in states of eminence as well, and at least two of the eminent financial economists in this compilation seem to clearly assert themselves in this category. John Campbell opens his piece with the claim that he accidentally entered the field of economics, while John Hull emphasizes the chance events that brought him into economics, such as: "The job at London Business School, which led to my move back to academia, happened by chance; my move from the UK to Canada happened by chance; my derivatives research with Alan started by chance; and so on." He cautions us, however, that "we should not underestimate the importance of education, industriousness, perseverance, pragmatism, search for opportunities, and taking full advantage when they present themselves.… Luck tends to happen more often when we are doing what we enjoy."

In a similar vein, Alan Blinder, states, "This essay has emphasized how accidents here and there shaped my career, opening some pathways while foreclosing others." He started studying mathematics before he switched to economics and presented a Keynesian point of view that is grounded in his dissertation on distribution and confronted Keynesian fiscal and monetary policy with economic reality. In particular, when he was a member of President Ford's Council of Economic Advisers (CEA), he got the "Aha" sensation from Alan Greenspan, chairman at the time, that the 1973–1975 recession was sourced to a decline in inventory investment for which Keynesian polices brought closure. But this did not square with the

disinflation recessions of the 1980s. For those observations, he turned to the "rational expectations models of business cycles."

For the current and future generations of economists, these authors are good exemplars who, through their life stories, show us how to bridge unknown rivers. They have cleared pathways so that others may have fewer detours and will be able to efficiently navigate avoiding errors and superstitions in the discipline to reach new areas of knowledge and novelties. Some are scientific while others are instrumental and artistic, but at the very least we will gather a constellation of facts, theories, and methods that will serve as a springboard for the future.

CATEGORIZING

Through their works Adam Smith and David Ricardo urge us to specialize in absolute and comparative advantage, respectively. Some eminent economists easily fall into known specialties whose work has a focus and commonality. In this group it is easy to locate Peter Kenen, Anne Krueger, Harry Markowitz, Peter Diamond, Paul Davidson, Vernon Smith, and a few others. Just at the mere mention of their names, economists rattle off their achievements.

Some have taken up aspects of economics from their direct experience of economic events, while others follow Isaac Newton's (1642–1727) absolute space-time reference. The time of the Great Depression is a soundly fixed point for Mary Strober, who writes: "Unemployment was a recurrent topic at dinners in my family, not only possible unemployment for my dad but also the Great Depression and the suffering faced by my parents' siblings and friends during those years. The topic intrigued me." From the present time value approach, Richard Freeman wrote that "at age seventeen I calculated the expected present value of lifetime earnings from economics and other plausible careers … and determined that economics was the best fit."

Some have used prior subject measures to classify their works, like the categorical imperative of Immanuel Kant (1724–1804), who had self-selected his field. Elinor Ostrom writes, "Basically, I believe that solving problems related to the long-term sustainability of common-pool resources and the efficient provision of public goods is difficult but not impossible." Helen Ladd adds, "By the early 1990s, my publications and other professional activities had established my reputation within the field of state and local public finance." Marina Whitman states, "[M]y father [Von Neumann] impressed on me, virtually from my earliest conscious moment, the moral

imperative of making full use of whatever intellectual capacities we were endowed with, whether man or woman, paid or unpaid." John Hull emphasizes the influence of mathematics in his career, from high school: "Math skills have been really important to me in my research, and readers may be surprised to learn that I consider the most important part of my math education to have been in high school and not in university." Frederic Mishkin attributes his career choice in part to family influence: at the age of twelve, his father exposed him "to technical analysis of the stock market where you looked for patterns in stock prices like the ones called 'head and shoulders,' which supposedly would tell you where stock prices would head in the future."

Some require us to find relations among their work in order to categorize, for example, the use of some measure, such as Gottfried Wilhelm Leibniz's (1646–1716) metric, which defines a field or discipline to categorize a work. Harold Demsetz's writing, which was confined to three categories of subject matter – "(1) markets and firms; (2) property rights and externalities; and (3) financial markets and transaction costs" – seems to be heavily utilized in industrial organization. In the same way, we find that Benjamin Friedman's work spans macro policy and religious thinking, which he packaged into the classical field of Smithian thought. Michael Intriligator lists several fields upfront in his contribution, but his work in mathematical economics is popular. Jeffrey Frankel writes: "First I ventured into other parts of macroeconomics, including, for example, the coordination of monetary and fiscal policy when different policy makers believe in different models. Then I ventured into other parts of international economics, such as the circumstances under which the 'trade-creating' advantages of regional free-trade areas outweigh the 'trade-diverting' disadvantages."

The hardest group to classify involves those who move with the events of economics. They appear to follow something like Jules Henri Poincaré's (1854–1912) group theory view, where the observer of economic events moves with the events he or she is observing. Hal Varian's interest spans statistics, mathematical economics, macroeconomics, microeconomics, industrial organization, and public finances, and he is now working in the field of information theory at Google. He might not mind being listed as a microeconomist, as he has written two best-selling college texts – *Microeconomics* and *Intermediate Microeconomics*.

Vincent Crawford calls his contribution a "safety net" approach. He examines the advice he has given to others – students, colleagues, and authors – in order to distill his "professional philosophy." Anwar Shaikh relates how he moved away from perfect and imperfect competition to discover his view

of the vision of the classical economists. He has added a new set of terms to the economists' lexicon – moving limits, systemic order and disorder, turbulent regulation, macrodynamics, and pattern recurrence.

In this classification, we cannot say that all the eminent economists can be classified into a genus following the maxim that all eminent economists are working on practical and useful results. Some are interested in theory and experiment, while others prefer explaining the forces at work in the economy. Some seek out historic causes of the state of the economy, while others deal with how events are historicized in the economy. This brings up the issue of possible paths to economics.

PATHS TO ECONOMICS

Just as there are many streams that lead to the ocean, we see how the contributors came to choose economics as their playground. Alan Blinder asserts that his career was path dependent. He means a somewhat linear career path from undergraduate straight through graduate studies.

Some started in the hard sciences before entering economics. Michelle White entered Harvard as a chemistry major, but soon signed up for economics. Vincent Crawford was interested in research at the tender age of eight, which took him to mathematics and science. Paul Davidson graduated from college in chemistry and biology. He completed graduate courses in biochemistry at the University of Pennsylvania before he decided to do an MBA at the City University of New York. He thus came to economics with a strong science background. Anwar Shaikh taught math, physics, and social studies in high school. After arriving in the United States in 1943, Marina Whitman found herself in the lucky and unusual circumstance of being influenced by her parents, John and Mariette von Neumann. She, however, did not want to pursue the path of growth and game theory that her father overshadowed, but a more judicious mix of economics and journalism. Vincent Crawford, too, was influenced by his parents, who presented him with game theory materials from Newman's *World of Mathematics*. The strategic experience he gained as a Boy Scout and later from competitive sailing influenced his strategic communication aspects in game theory. Having read Isaac Asimov's *Foundation Trilogy* around the age of twelve, Hal Varian writes: "The idea that one could construct mathematical models of human behavior made a big impression on me; perhaps this is why I eventually became an economist." Richard Freeman explains: "What set me up to choose economics was Isaac Asimov's *Foundation* series of science fiction books," in which he learned how to construct science from

history. Moreover, "Equations based on verified knowledge could predict the flow of history," and "the aggregation of individual actions rather than the decisions of kings and queens determined the flow of history and … it was possible at least in the far-off future to write down equations that would predict how those actions determined the flow of history. Wow!"

The eminent mind can arise out of curiosity. Harry Markowitz pondered throughout his high school days the question "What do we know and how do we know it?" He heard the call of "uncertainty" in economics when he entered the University of Chicago. Peter Diamond, for instance, exposed the methodology of how to read the literature – read to find error in the proof or to transform the idea. Equally important is his approach to teaching as an enhancement of and not as a hindrance to research.

Some had economics thrust upon them. Economists usually pair themselves with peers or schools of thought. Helen Ladd tells how she was influenced by Carolyn Shaw Bell to turn to many subdisciplines of economics – taxation, public finance, urban policies, and education. Angus Deaton relates how he was influenced by the work of Modigliani and Brumberg. John Campbell gives credit to "effort and skill and dedicated mentors."

A few others seem to have simply stumbled upon the subject. Robert Stern tells how he left linguistics for economics while managing his father's butcher business. Angus Deaton moved from music to mathematics to rugby and finally to economics. Peter Kenen considered economics in the final two years of college at Columbia. He writes: "In my last two undergraduate years at Columbia, I divided my time between courses in politics and economics, and it was not until my senior year that I decided to go on to graduate work in economics." While John Hull explicitly credits his luck, he stumbled from studying math to business and, finally, finance.

Necessity is the mother not only of science but of eminence as well. Peter Diamond identifies strategic thinking as a necessary prerequisite. "This essay reports my memory of how I have proceeded strategically over the past fifty years, both before and after recognizing a need to think directly about these choices." He operationalizes this method through "[t]eaching, working on policy questions, leaving subjects when diminishing returns appear to have set in, and returning to them with a fresh mind later." John Hull advocates learning mathematics early at the high school level as sufficient for eminence at a later age.

One need not live, eat, and dream about economics to be eminent. When we look back, Francis Quesnay was a medical doctor, Adam Smith lectured on jurisprudence, David Ricardo was a stockbroker and parliamentarian, T. R. Malthus was a reverend, J. M. Keynes was a probability specialist, and

Milton Friedman came to economics from physics. The stories in this compilation of eminent economists reflect similar circumstances. It appears that one can generalize that to be an eminent economist one simply has to get out of one's field of specialization, but that is only an illusion.

EXPANDING SPHERES OF KNOWLEDGE

The contributors to this book share a variety of paradigms. Most modern economists are of the two major schools, namely monetarist and Keynesian. Keynes himself used Aristotelian/Marxian CMC and MCM circuits to characterize the monetary and real sides of the economy which have ontological implications for a worldview of economics (Meikle 2001: 41). The post-Keynesian economist Paul Davidson noticed that Keynes supported a nonergodic method in his writings, exorcising probability and stochastic processes from economics. On the other hand, stochastic analysis is the cornerstone for financial economists such as Harry Markowitz. Jeremy Siegel is self-described as a light libertarian, who we would expect to separate the enterprises of mathematics from economics.

The works of these contributors are what legends are built on. We normally find them improving existing solutions, solving anomalies, and offering novel facts that either are new or were not confirmed before. While they propose ideas and concepts to refute some of the anomalies they solve, their theoretical or empirical progress stands out. Some of the contributors provide novel, dramatic, and stunning facts (Meikle 2001: 41). Paul Davidson provided some when he identified Keynesian thought as nonergodic. He quoted John Hicks as saying, "You have now rationalized my suspicions and have shown me that I have missed my chance of labeling my own point of view as non-ergodic. One needs a name like that to ram a point home." Anwar Shaikh, who is sometimes at odds with post-Keynesian and Marxian ideas, has worked within the domain of nonergodic models providing a somewhat dialectic view of the economy. Robert Stern pioneered computation general equilibrium models, setting the stage for doing economic modeling with numbers. Harry Markowitz exemplifies several of these points when he writes: "[S]ince I believe in maximizing expected utility (using probability beliefs where objective probabilities are not known), then how dare I recommend the use of the mean and variance of return in choosing portfolios of securities?" The mean-variance approach to portfolio analysis was a revolution at that time, and subsequent work made it consistent with utility analysis.

In general, the knowledge to be gained in this collection straddles both the existential and ontological dimensions. On the existential side, the

eminent economists care not only about themselves but also about their fellow beings and society solving economic problems that portend deadweight losses, poverty, and inequality. Anwar Shaikh is very explicit on the existential point of view. He finds "a big difference between gravitation around an ever-moving balance point and equilibrium-as-a-state-of-rest … one cannot assume that agents make their decisions as if they are in equilibrium." On the causal side of existence stands Harold Demsetz, who remarks that "we are powerless to affect time and place of birth," implying that one has to work with what one has been endowed with in order to become eminent. Barry Eichengreen worked with materials he heard at the dinner table of his parents and other economists. As much as she tried to eschew the strong influence of her father, John von Neumann, Marina Whitman did not escape the academic influence in her background: besides her engagement in the public life she became an economist. Another aspect of existence is concerned with how to relate to others, their essential needs. Elinor Ostrom and Mary Strober exemplified that regard working with influences of the Great Depression.

The ontological or the essential side of eminence is concerned with things prior to positive economics. For instance, the eminent economists are ontological when they are concerned with what is to be produced because, ideally, production should endure through time. This does not preclude production for consumption but appeals to a regular way of doing so, like the concept of a Kuhnian normal science that can be changed with scientific revolution. In short, the eminent economists, by "dealing with things in a way that brings them into tune with our and their context discloses them" (Spinosa et al. 1997: 180). For example, labor market analysts now see social factors such as "gender bias" as important elements to include in their theory (Maki 2001: 370). On the ontological side, we find Helen Ladd and Myra Strober questioning the "inner working" of the economic world, transforming questions "about the economic world view … into questions about economic theory" (Maki 2001: 6, 371). Some strong exemplars include Paul Davidson exorcising the ergodic models from the essence of post-Keynesian economics and Hal Varian specifying a new model of sales. For Anwar Shaikh, equilibrium is not a reality; it is only the dominant regulative principles and system dynamics that are real, manifesting through nonergodic processes such as counteractive tendencies and cycles.

The eminent economists are abreast with the philosophy of critical realism in economics. Critical realists are interested in how well mainstream economics explains social reality. As developed by Roy Bhaskar, the old dialectic process of identity, negativity, and totality extended into other realms,

which include ontology, existence and causality, science and social science (Bhaskar 1993: xiii). Practical application of this concept such as by Tony Lawson has focused on "finding and using methods" and emphasizing the major differences between studying social and natural sciences (Fullbrook 2009: 1).

The ontological wing of critical realism involves social processes that possess emergent powers and are also structured, internally related, and process oriented (Fullbrook 2009: 5). Fullbrook illustrated how this categorization of the social process fits in with gender concepts, an area of research highlighted by the works of Helen Ladd and Myra Strober. The process is open due to its historical development. Gender issues emerge in the process of becoming a woman in society. One needs a social structure to study women from an existential viewpoint. It is from defining oneself that the other is studied and known (Fullbrook 2009: 6). In another context, Paul Davidson recognizes that the time for openness in Keynesian analysis has arrived. He writes: "In 1980, I decided that Keynes's *General Theory* analysis had been (wrongly) discussed primarily in a closed-economy context. With the growth of a global economic prospective, I decided Keynes's analysis had to be presented in a clear and unambiguous open-economy context." Avanish Dixit also subscribes to the open view, writing that "[e]conomists have broadened their perspective to include other-regarding preferences and several forms of behavior that were once dismissed as irrational and to include the political process squarely in their analysis of economic policy making." In the same vein, we find Harry Markowitz opening up expected utility analysis to approximation with mean-variance analysis.

The ontological critical realism viewpoint places a bind on the sphere of mathematics in mainstream economics. Harold Demsetz writes: "Cold logic, imagination, and exposition by way of words, simple geometry, and basic statistics are the tools on which I have mainly relied throughout most of my career. I do not feel fully in command of a problem or a resolution of it until I can state both clearly in words and/or geometry." Along with other eminent mathematical works such as Markowitz's maximizing individual, Robert Stern's CGE approach to modeling, Richard Friedman's analogy with the sciences, and Vincent Crawford's strategic games, the bound ontological viewpoint highlights a closed system rather than an open one. According to Tony Lawson, mathematical analysis can deal with only a closed system, "meaning those in which event regularities or correlations occur" (Lawson 2009: 126). An open system would put more emphasis on heterodoxy, such as the post-Keynesian viewpoint Paul Davidson advocates. As Lawson puts it: "The sense in which various traditions like post Keynesians are heterodox