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Credo of a Lucky Textbook Author

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When a scholarly discipline is in a fruitful phase of innovative advance, it spares little time in studying its own history. Few know the revolutions that hit economic introductory textbooks half a century ago. This is a good occasion to sketch that story and, as Schumpeter would say, to review the troops. Also, I conclude with notes for historians on ideological pressures brought against postwar economics teachers.

The 1920s and 1930s were a fallow period in textbook writing. Frank Taussig's (1911) classic was nearing its end: in 1940 at Harvard, we taught Economics I from it. The bestseller out of Yale was still Fairchild, Furniss and Buck (1936), a watered-down version of Irving Fisher's (1911) text with coverage of Marshall's *dd* and *ss* intersections. At Chicago in the 1931–32 years, Aaron Director assigned me Sumner Slichter's (1931) new text, poor-mouthing it from the beginning. Actually, it gave a pretty fair institutional picture of the 1920s: when I recently reread Frank Knight's (1932a,b) polemics in the *Journal of Political Economy* against it, what all the shooting was about was hard to discern. The next quarter, Lloyd Mints shifted to Richard Ely's *Outlines of Economics*, which dated from church materials in the 1890s. Ely's later editions were written by a committee, presided over by the gifted Allyn Young.

The list of competing texts was not short. Among the competent was the Garver and Hansen (1938) text (Alvin did the macro). Among the pedestrian were perennials like Wisconsin's Kiekhoffer (1936) text: it was "institutional," but primarily in the sense of being "NON-theoretical." Digression: just 60 years ago, Kiekhoffer never began his lectures before a thousand Madison undergraduates until delegated cheerleaders led the crowd in a Wisconsin locomotive. No kidding!

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Book content is what matters. So much less was taught then in economics as compared to today. When 5,000 banks failed and mortgage delinquencies were in the millions, the bestselling texts limned the certainties of Say's Law! Taussig was little better on that when Harvard gentlemen learned it from my knee. No wonder economics enrollments eroded just when real-world problems and actions were most dramatic.

An Offer I Couldn't Refuse

How did all this relate to brash Paul Samuelson, whippersnapper go-getter in esoteric theory? I returned from the wartime Radiation Lab to rejoin the MIT economics department. My department head and pal, Ralph Freeman, entered my office and closed the door. This is what he said.

> Eight hundred MIT juniors must take a full year of compulsory economics. They hate it. We've tried everything. They still hate it. We even did a departmental joint product. It was the worst editorial experience of my life. After our senior colleague turned in his chapter, I had to say, "Floyd, this is not a chapter on public finance. It's a chapter *against* public finance." Paul, will you go on half time for a semester or two? Write a text the students will like. If they like it, yours will be good economics. Leave out whatever you like. Be as short as you wish. Whatever you come up with, that will be a vast improvement on where we are.

Little did I know of the devil's blandishments. Why not give it a whirl? Here's a window of opportunity when all the books are 15 years out of date at least. Then, next summer I can put the finishing touches on *Foundations*, which has been awaiting publication since before Pearl Harbor. Truth defies fiction. Three years later, after night and summer slaving and following up on uncountable mimeograph handouts, the deed was done. The rest, as they say, is history.

Skousen's Critique

When you read the novels of Jane Austen, never do you learn that the Napoleonic wars were going on while her characters were angling for life-cycle security with amiable spouses. When I read Mark Skousen's account of how macroeconomics and public policy discussions evolved in the successive editions of Samuelson's *Economics*, I was left with something of the same feeling as Jane Austen's readers: missed in his Whiggish retrospective is all of the drama that went into the decisions to revise; and, what matters to an audience of economist teachers and researchers, scarce hints are given about the scientific developments and innovations impinging on me as the textbook writer and teacher. (Since Bill Nordhaus cannot be held liable for my imperfections, the present pages concentrate mostly on those 11 Samuelson-only editions before the last decade. No distortion of the debate is thereby entailed.)

The bare facts are simple. My 1948 first edition's macro concentrated on the early *General Theory* paradigm in which the level of money and real aggregate income, Y, got determined by the interplay of saving and investing propensities: Y^* is the (diagrammatic) root where an ascending Saving schedule rises to intersect an Investment schedule. Fed interest rates were at that time frozen by President Truman's fiat; in consequence, there was no great need to go into Keynesian liquidity preference schedules, à la Hicks and Hansen; and postwar price levels had not yet the impetus (nor the freedom!) to soar. By the second edition, these things were changing outside the scholar's window, and his quill was busy sketching those changes. Already I lost some Keynesian partisans, a process that turned out to be "perseverant."

I am pleading no alibi nor extenuation. My present-day eyes do discern regrettable lags in sloughing off earlier skins. My kind of Keynesianism was never a religion. "What have you done for me lately?" was always the battle cry. Besides, the American Keynesians—Alvin Hansen, James Tobin in his 1939 Harvard undergraduate thesis that had already added *wealth* to income as a determinant of spending, Franco Modigliani during the war itself—all these were evolving beyond Model T Neanderthal Keynesianism. I raced along with the avant garde.

The recent biography of Abraham Lincoln by David Herbert Donald (1995) is such great history because its author endeavors at every stage to describe Abe's actions and decisions *using only that knowledge which at each moment was available to his protagonist.* When Milton Friedman wrote for the Treasury in 1943 about war finance or proposed a 1948 macro stabilization program, no latter-day commentator can validly indict him for not employing his own *later* Model T Monetarism model.

When you use paleontological fossils to outline the history of species, use them all. Was the Samuelson elementary text lagging behind the plethora of emerging intermediate macroeconomic textbooks in the 1948–1985 era or a pioneering engine in evolutionary progress? I know the answer to that, but will Professor Skousen's readers?

Objectivity is in the eye of the beholder. By my third edition, the "neoclassical synthesis" got set forth. To Joan Robinson, this was surrender to the enemy: one more Keynesian friend lost. To Mark Skousen, this, incredibly, boils down to "demand management." What actually was it? And why in later editions did those words get revised out? The "neoclassical synthesis" was no more and no less than a matter-of-fact statement that there are alternative mixes of central bank money/credit configurations and fiscal expenditure/tax configurations that are compatible with full employment and price-level stability. By logical implication, *arbitrary* configurations of these—demand mismanagement?—can and will induce hyperinflations and recessionary unemployments.

For two reasons I later dropped the "neoclassical synthesis" verbiage. First, it smacked too much of complacency: perfection is at hand, economics is an exact science, blah, blah. Second, and more important, from early on I (along with Lord Beveridge and Alvin Hansen) was fearful of a *stagflation* problem in a mixed-economy welfare state that strove hard for full employment while at the same time helping the unemployed in a humane way. In Camelot counsels, I was at first too pessimistic about stagflation ahead. Alas, by 1965 and for 15 years, my fears proved only too prescient. The post-1965 decline in Keynesianism's esteem was *not* a Kuhnian consequence of a better paradigm replacing it. Monetarism à la Friedman for a bare two years around 1970, at the St. Louis Fed and Citibank, positivistically then did only *almost* as well; after that, Cinderella's hour had struck. Rather, what lowered even the self-esteem of the Keynesians and macroeconomists generally was the onset of stagflation (supply-side shocks and all that), a scourge difficult to prescribe for by any of the competing macro paradigms and quite uncalled for in the logic of either monetarism or later-time's rational expectationism. The Skousen paragraphs should be reread in light of this.

Here, I do not enumerate the several places at which Skousen's critiques appear to me to be inexact and nonoptimal. Space is scarce. I do strongly protest, though, when I am called an *antisaving* Keynesian. (At Harvard's 350th birthday symposium before an overflow crowd of 2,000, Tobin, Benjamin Friedman, Martin Feldstein and I debated this topic. Holding up his end, Feldstein similarly complained that Harvard had mistaught him about the virtue of thrift.) I baldly proclaim my nonguilt. From 1950 on, in congressional testimony and writings, both Tobin and I were nagging Democratic leaders and urchins in the street toward a high-employment mix, *weighted toward capital formation and away from current consumption*: see Samuelson (1965; see the congressional testimony in chapter 100; see also chapters 98, 99 and 105) and Tobin (1955, 1959, 1960 and 1983, especially pp. 197–200). To this day, we still nag. In my case it was precisely the tools of the "neoclassical synthesis" (used in the 1955 edition assigned to Ec10 Harvard students) that were employed to deduce how austere budget surpluses cum expansionary Fed mode could augment a low-saving nation's productivity growth rate without occasioning structural unemployment. We were heroes before our time and long before the infelicities of Laffer-Kemp-Reagan!

Competent scholars in macroeconomics will understand the neoclassical deductive reasonings and the economic-historical facts that can bring back into relevance the paradox of thrift that my critic scorns. Yes, when the Bank of Japan's 1996 short-term interest rate is half of 1 percent, there is less new punch from open-market purchases than when nominal interest rates average 10 percent. Yes, Virginia, there can be in such times shades of liquidity traps and a genuine paradox of thrift. Maybe future college sophomores will learn this the hard way—perhaps after a populist majority has temporarily put a balanced-budget amendment into the Constitution and when real-and-nominal exogenous forces cause securities markets to clear at low interest rates like those prevailing back in the late 1930s. The Bible tells us: there is a time to remember and a time to forget. Alas, the Good Book does not reveal when those times occur in connection with delicate syndromes like the heretical paradox of thrift. Slogans and excommunications do not a good economics make.

Mark Skousen is more of a libertarian than I am. That is obvious. He was born with a more devout belief in Say's Law than I was. That is obvious. Much could be usefully added on our many differences, but it will be a better use of my page ration to conclude with some account about past ideological pressures on teachers and textbooks, from the right and left. It is a story not well known, but fraught with historical significance.

Tale of Two Texts

As indicated, in the mid-1940s I suspected that it was a time of singular opportunity. The colleges were crowded with returning veterans. For those who had lived through the 1929–1935 Great Depression, the best of the existing texts were almost comical in their *macroeconomics.* That word had not yet been invented. When Edwin Nourse, the first chairman of the Council of Economic Advisers, asked Alvin Hansen who invented the newfangled word *macroeconomics,* Hansen wrote back: "I don't know. Probably Samuelson." I have much to declare before St. Peter, but I was pretty sure that Frisch or Tinbergen was the culprit. *Macroeconomics* was not in the index of my *Economics* first edition. Subsequent research suggests, however, that Erik Lindahl (1939) first used the word in Swedish and English print.

I did cash in on bringing simple Keynes to the elementary classroom. But in doing that, I was packaging some of my own hooch, since it was me who had invented (at Harvard and MIT) the 45° $I + C + G$ diagrams that became a staple on postwar blackboards. But of course they were already lurking there in the mathematics and the words of the Keynes-Kahn multiplier paradigm. What I did not anticipate was how strong this new virus would be and how durable would be the market prominence of my evolving brainchild.

One guy's luck may be augmented by another's bad luck. The tale I shall tell has its primary interest as an important chapter in the attempts by noneconomists to censor what is taught in the university. Censors seek suppression both from the right and from the left.

The 1948 Samuelson text was not the first to add a Keynesian analysis to the received versions of $MV = PQ$. The late Lorie Tarshis was a Canadian who taught at Tufts University in the latter 1930s. Tarshis had been a Cambridge student from Toronto in John Maynard Keynes' lectures during the formative years of the 1936 *General Theory.* He began before World War II to write an elementary text; on returning from the war, he finished *The Elements of Economics* at Stanford, and Houghton-Mifflin published it a full year before 1948. Lorie was a neighbor and good personal friend, but I first heard of his book when as a 1947 MIT teacher I was given a promotional copy. It was a good book; a very good book. Maybe in 1945 I would have stuck to my mathematical-economics knitting if the Tarshis text had then been available.

For one year the Tarshis opus had a good sale. Under normal circumstances, my book would have inevitably become a competitor. But of course, the beginners' market is gigantic in scope, big enough for several worthy competitors: once good textbooks became available, the economics courses at most universities shot toward or to the very top in enrollment. What almost killed the Tarshis book in its tracks were vicious political and personal attacks on him as a "Keynesian-Marxist." (Earlier, Herbert Hoover popularized that one-word combination.) I knew well the diversities of ideologies in 1930–1950 America, but never could I understand the variety and virulence of the attackers on Tarshis from the right. Tarshis was not notorious as a leftist; before then and until his death in 1994 at a ripe, ripe age, Lorie Tarshis was a low-keyed teacher and researcher. Independently of John Dunlop, Tarshis did important empirical work criticizing (!) Keynes' treatment in the *General Theory* of a necessarily declining wage rate when the total of employment rose. His later textbook on international trade was also an excellent middle-of-the-road contribution to that subject.

The attackers, I recall, included names then considered extremely on the right: a Colonel Namm, who owned a Brooklyn department store; also someone named Zoll, from a small fascist-leaning group on the right. There was, too, a Philip Cortney, who headed the Cody cosmetic company and lectured at Harvard that Sumner Slichter (who was actually the academic most beloved by business-group audiences) was "the most dangerous man in America. Worse than an avowed Keynesian is this closet-Keynesian poisoning America's policy formation." Running with that pack was Rose Wilder Lane. All of us have had read to us Laura Ingalls Wilder's *The Little House in the Prairie* (. . .*in the Forest*, . . .*in the*. . .) or we have read them to our own children. Rose Wilder Lane, little Rose grown up, became the author of *Let the Hurricane Roar* (1933), an epic about Norwegian immigrants freezing in the Dakotas. Somewhere along the line the no-longer-young Rose became possessed of economic truth and proclaimed that it was not to be found in the dangerous Tarshis canon.

I know of these details only because, later, having tasted blood in trying to root the Tarshis text out of colleges everywhere, some of the same people turned toward my effort. *God and Man at Yale* by the young Bill Buckley (1951) quoted from some of them; and others of his critiques I could recognize (from the coincidental inexactitudes of the quoted words) were taken from the writings of these earlier critics. The joke is that Buckley's Yale was notorious in those days for its conservative old guard economists (Fred Fairchild, Hudson Hastings, Ray Westerfield, O. Glenn Saxon). I cannot judge Yale's religious orthodoxies and heresies, but its economics at that time was devoutly orthodox.

All this may now seem bizarre and comical, but it was not a joke to earnest professors at scores of colleges who came under attack by regents and alumni visiting committees who had been alerted to the heresies being imposed on innocent college youth. Person-years were imposed on earnest professors who had to defend the objectivity of their assigned curricula. Fortunately for me, I had considered it good business to articulate carefully just when and why an unorthodox paradigm might make sense under certain conditions, whereas at other times orthodox paradigms would commend themselves. Interested in maximizing not *PQ* book revenues but rather Q influence, I could only gain from being eclectic and centrist. Critics from both right and left began to complain that I wrote carefully (as if a lawyer were at my elbow). Actually, such critics did me a favor. Where one person stays unconvinced, so will another. Eclectically qualifying principles makes for better principles, rather than for wishy-washy banalities, and it makes for better scholarship.

Prior to publication, my preliminary classroom versions came under intense attack from several MIT businessmen alumni and board members. One spotted a list of 100 heresies. When I took pains to explicate their expositions, he reacted with frustration: "The whole tone is wrong. You do not inculcate sound economics. That is your trouble. To protect your own reputation, a good man like Professor Fairchild of Yale must vet your text to cleanse out its heresies." That command exceeded my tolerance and amiability. President Karl Compton of MIT intervened with a letter in which he proclaimed that any time one of his professors became censorable by some outsider, he would hand in his own resignation from office. (Later, when my book was accorded bestseller status, this particular businessman critic even developed some grudging admiration for it. Money talks. Lorie Tarshis was never so lucky with any of his opponents.)

All this, mind you, was just *prior* to the Joseph McCarthy era of witch-hunting in government, academia and the clergy. During that period and still afterwards, there was often a full-court press by various conservative groups to emphasize sound principles in high school and corporate in-house courses in economics. When the AEA cosponsored with numerous foundations a TV Continental Classroom course in economics, much time and energy was expended to ensure a balanced curriculum. (This "ethical cleansing" did not speed up creative innovations in the direction of "monetarism" or later "rational expectationism.")

By the time of the 1960s and 1970s, the shoe began to pinch on the other foot. Student unrest at the time of the Vietnam War led to bitter attacks on mainstream economics. To the New Left, Samuelson became the personification of what was bad about the running jackals of capitalism. Out of Denmark, in German and English, came a two-volume *Anti-Samuelson* (Linder and Sensat, 1977). Like the miniskirt, the radical faction gradually subsided; but when I lectured in 1973 at Australian universities, I discovered that students were disappointed that I wore neither a top silk hat nor spats. It is hard to please everyone. See Assar Lindbeck's (1971) *The Political Economy of the New Left: An Outsider's View* for a valuable account of what turned out to be a nondurable movement.

I believe it is healthy for a discipline like economics to evolve in response to new developments and better understandings of historical reality. That is quite another thing from Stalinist or Chamber of Commerce coercion on the educational system. Funeral by funeral, economics does make progress. Darwinian impact of reality melts away even the prettiest of fanciful theories and the hottest of ideological frenzies. But there are fits and starts along the way.

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