

**Who's Who and What's What at the LSE, Then and Now?**  
**A Review Essay of *The Palgrave Companion to LSE Economics*,**  
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## ABSTRACT

This valuable discussion of LSE economics runs from the School's inception in 1895 to the present. I review the whole, including where relevant, observations and criticisms based on personal knowledge from my time as a graduate student, then a staff member of the LSE, from 1953 to 1963. Part I contains excellent essays on what the editor says are "...the contributions made by a centre [LSE in this case] where these contributions are considered to be especially important...". These cover econometrics, economic history, accounting, business history, social policy, and the LSE's house journal *Economica*. The notable absence is economic theory despite the LSE having had notable theorists throughout its entire history. For an early example, in the 1930s the School had Lionel Robbins, Friedrich Hayek, John Hicks, R. D. G. Allen, James Meade, Ronald Coase, Abba Lerner, and Nicky Kaldor. Also absent is an essay on methodology in spite of the LSE having had Carl Popper, Imre Lakatos and Joseph Agassi, all of whom had a major influence on economics at the LSE and worldwide. Part II presents essays on 29 economists who had been or still are on the School's staff. It is organised in chronological order of birth dates, from 1861 for Canaan to 1948 for Pissarides. The coverage is quite comprehensive, although a few important staff members are omitted. The essays are excellent and mostly honour the important work of these staff members. The one exception is James Forder's rather critical essay on Bill Phillips, on which I offer some criticisms.

## **Who's Who and What's What at the LSE, Then and Now? A Review Essay<sup>1</sup>**

This valuable discussion of LSE economics goes from the School's inception in 1895 to the present. It is notable for the important things that it includes and also for the important things that it omits. Part I contains essays on what the editor says are "...the contributions made by a centre [LSE in this case] where these contributions are considered to be especially important...", followed by Part II with 29 essays on "...individual economists attached to a particular centre." (p. vii)

### **PART I: THEMES IN LSE ECONOMICS**

Anyone reading the essays in Part I--econometrics, economic history, accounting, business history, social policy and *Economica*--might think erroneously that LSE economists had little to offer on economic theory. Important though these other subjects were, economic theory has been equally important at the LSE. For example, in the 1930s the School had Lionel Robbins, Friedrich Hayek, John Hicks, R. D. G. Allen, James Meade, Ronald Coase, Abba Lerner, and Nicky Kaldor. Then in the 1950s another group coalesced, including Kelvin Lancaster, Ezra Mishan, Christopher Archibald, Richard Lipsey, Bernard Corry, Ralph Turvey, Kurt Klappholz, and Bill Phillips. Then in the late 1960s, came economists specializing in econometrics and mathematical theory, including Michio Morishima, Frank Hahn, and Terence Gorman. Other theorists came later, including Nobel Prize winner, Christopher Pissaridies.

Had I been the editor, I would have insisted on an essay on "Economic Theory and Methodology". Methodology should be included because methodologists such as Popper, Agassiz and Lakatos influenced several generations of LSE economists, many of whom wrote about methodology, including Klappholz, Mishan, and Archibald. Also important was the M<sup>2</sup>T seminar (discussed in the econometrics essay), and Lipsey's *Introduction to Positive Economics* that introduced Popper's methodology to several generations of UK students.

So much for what is not in Part I; now for what is.

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<sup>1</sup> I am indebted to Kenneth Carlaw, Allan Sleeman, and Jim Thomas for their many comments and suggestions. A shorter version of this essay is forthcoming in the journal of the History of Political Economy (HOPE).

### *Econometrics*

Jim Thomas' essay "LSE and Econometrics" chronicles a development important to the LSE's founders who were interested in understanding society in ways that were of practical use. Arthur Bowley joined the staff in 1895 at a time when no British university taught statistics as a distinct discipline. Along with Roy Allen who joined the staff in 1928, Bowley cooperated with Ragnar Frisch in establishing the econometric society in 1930. Despite Lionel Robins' denigration of economic statistics, the subject grew in importance at the School.

When James Meade left for Cambridge in 1957, virtually all economists on the non-professorial staff had only one name on our short list for a successor, Harry Johnson, and were dismayed when Ely Devons was appointed instead. To his great credit, when soon after coming to the School, Devons became aware of this situation, he visited each of us individually, told us that he knew of our short list and asked what he could do to advance the school's interest. Then, with the assistance of Bill Phillips and Jim Durbin, he attracted a major group of modern economists, including Rex Bergstrom, Denis Sargan, Harry Johnson, Frank Hahn and Terence Gorman.<sup>2</sup>

Thomas covers the evolution from what to modern researchers must seem the naïve approach to data that characterized much of LSE's empirical work in the 1950s and early 1960 -- no doubt partly due to our need to make calculations on desk calculators where two linear regressions a day were a good output -- to a more sophisticated view of econometric analysis, especially under the influence of Denis Sargan and David Hendry. After these two, Peter Robinson continued the econometric program "...which currently focusses on such areas as long memory time series, nonparametric and semiparametric methods, Edgeworth approximations, adaptive learning, diffusion, bootstrapping, simulation methods, sample selection, identification and spatial econometrics" (p 17), leaving one to wonder if the list could have been shortened by noting only what was not covered! Thomas concludes: "Members of the Statistics Department at the School were pioneers in the development of econometrics... [followed by] a period of dominance with Sargan and Hendry in econometrics and Robinson [who] continues the LSE tradition." (p 23)

### *Economic History*

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<sup>2</sup> Since, as requested by the editor, I will be making many comments based on my own LSE experience, I should note the period of my tenure there. I entered the LSE in 1951 as a PhD student, was appointed to the staff as Assistant Lecturer in 1955 and left as a Professor (a personal not a named chair) in 1964 to become a founding father of the new University of Essex.

In Colin Lewis's essay "Economic History at the LSE" we meet Lilian Knowles, and one of my early Canadian student-day heroes, Eileen Power, "...an inspirational teacher, admired for her magnetic and elegantly crafted lectures, as much as for her writing." (p 60) We are reminded of times long past when we read that despite obtaining first class marks in her exams at Girton college Cambridge, Knowles could not graduate as the university did not at that time confer degrees on women. Subsequently, LSE and Girton College became closely related, and as Lewis states: "...Girton college, single sex, feminist in outlook, and isolated both geographically and educationally, from the rest of Cambridge University, was a world away from the L.S.E., co-educational, centred on the social sciences, and resolutely involved in the political and economic issues of the day." (p 62) The author's first-generation list is completed with Vera Anstey and Eleanora Carus-Wilson who did impressive work in medieval economic history.

Next comes R. H. Tawney whose *Religion and the Rise of Capitalism* enormously influenced me as an undergraduate. The list of important contributors goes on to Michael Postan, Thomas Southcliffe, T. S. Ashton, and Charlotte Erickson, the first woman to hold the chair of economic history after Carus-Wilson. "Plaudits earned by Power, Postan, Fisher and later generations may be even more significant today than they were then in sustaining the appeal of economic history and the Department, along with establishing connections between the content of courses and programmes with the issues of the day." (p. 69)

Lewis concludes: "The community of economic historians at the school...can claim several 'firsts'...[including] the prominence gained in the field by a succession of critically acclaimed women researchers and teachers, the quality of research and its impact and pioneering initiatives in teaching." (p 73)

### *Accounting*

Christopher Napier's essay "Accounting and the Influence of Economics at LSE" was an eye opener to me. While recognising the importance of National Income Accounting, we LSE theorists of the 1950s were uninterested in, even contemptuous of, ordinary accounting. Certainly, most of us were unaware of what I have read in the first part of this essay.

Accounting has been taught at the School since 1902. The early LSE accounting academics who saw "...law as the defining discipline for accounting" (p 103) were followed by Arnold Plant who came in 1930 and soon hired talented colleagues, especially 'the three Ronnies': Edwards, Coase and Fowler. Concerned with the interplay between accounting and economic theory, they did path-breaking work on the application of cost theory to accounting, advocating among other things the opportunity cost approach to measuring costs. They also noted that

the use of accounting records for studying cycles was hampered because business smoothed profits by adding to secret reserves in good years and drawing from them in bad years. Their newer concepts of income not only dealt with this problem but led to improved methods of valuing the firm and its capital.

After the Second World War came the Triumvirate, Baxter, Solomon, and Edey who continued to draw on "...the ideas of economics being developed at the school in the 1930s by such economists as Robins, Hayek and Hicks and diffused by Plant, Coase, Edwards and Fowler into a criticism of existing financial and managerial accounting practices." (p 104) Among other important contributions, they dealt with pricing and asset valuations under inflation. "The UK government's Sandilands Committee on inflation accounting...adopted a[n] ...approach consistent with the LSE Triumvirate's position. This was not attributed to Baxter and his colleagues who, unlike some other accounting academics were not acknowledged or cited in the Committee's report." (p 98) Not the first time that the developers of original ideas have gone un-noted by subsequent users, including some who were award Nobel Prizes in economics.

Napier observes that by 1970 new developments in academic accounting required "...the use of large data sets and econometric analysis that the LSE-accounting academics were not trained to use" (p 104), although some, such as Peter Pope and Bjorn Jorgensen, do work in this field.

Napier's final remarks concern the research of Anthony Hopkins and Peter Millar in the *New Accounting History*, which he observes has rejected economics as a means of interpreting and enlightening accounting practices. He argues that "...whereas Basil Yamey the economist denied a significant role for accounting in the development of capitalism, Miller the sociologist and Power the philosopher-accountant put accounting at the heart of the modern calculative society." (p 104) This is a debate with which the historians of economic growth and technological change have yet to become fully engaged.

### *Business History*

Leslie Hannah's essay "Business History at the LSE: An Empirical Voice" covers what he describes "...as a minor strand in the development of economics and related subjects at LSE...". (p 132) He adds, however, "whether in the BHU [Business History Unit], the Economic History Department, the economics Department or elsewhere – [business history] played a useful role in demonstrating insights from empirical work that were relevant to the development and testing of hypotheses about management and economics." (p 132-3) The early days saw Ronald Coase who was on the staff from 1935 to 1950 and began his Nobel Prize winning work on the nature of the firm when an LSE undergraduate. Then came

Edith Penrose, on the staff from 1959 to 1964. Obsessed with the desire to have precisely formulated, testable predictions derived from a theory, we theorists did not appreciate the path-breaking nature of Penrose's work and I am sorry to say we denigrated it during a session of the Robbins seminar. I think she was surprised, and a bit hurt by the critical, even hostile, way we dealt with her work at the seminar. When I was much older, and I hope a bit wiser, I came to appreciate her work and how closely it was related to mine on the microeconomics of technological change and economic growth.

In 1977 Theo Barker, professor of economic history, helped to establish the Business History Unit located jointly at the LSE and Imperial College. Indeed, "...for some years most private and Research Council funding of history that took place within the University of London was concentrated on the BHU." (p 127)

Hannah concludes that the LSE business historians "...did not form a distinctive school --if there was a central theme, it was simply the methodology of blending empirical work in archives with representative samples for understanding business institutions and organisations...". (p 133) It is interesting that few if any LSE departments created well-defined schools with established viewpoints such as the free-market-oriented economics of the University of Chicago or the Keynesian economics of the University of Cambridge in the 1940s, '50s and '60s. Perhaps this indicates a laudable attitude of much of the LSE's staff to be eclectic in their understanding of economic and social events rather than becoming tied to specific interpretations.

### *Social Policy*

Although Howard Glennerster's essay "LSE's Contributions to the Economics of Social Policy" does deal with the work of a few individuals writing before 1945, I looked in vain for the early history of Titmuss's group. When I joined the staff in 1955, there was an active group under Titmuss, including Brian Able-Smith. Brian who asked me to give the lectures on introductory economics to his large group of would-be social workers, a task I enjoyed.

Several times throughout his essay Glennerster makes statements such as "...the LSE Economics Department had been pro-free market and generally hostile to government intervention in whatever form for much of its history." (p 146). But there were notable exceptions. Early on, Nicky Kaldor, Abba Lerner and Hugh Dalton, a future Labour Government Chancellor, were not in that group. In the 1950s most of us who were members of the M<sup>2</sup>T seminar would, I think, have described ourselves as 'left-leaning'. One of us, Kurt Klappholz, gave a brilliant series of lectures emphasizing market failures and the means of alleviating them by public action. I tried to persuade Kurt to turn these into a book, but he had a block

against writing, although he was fine lecturer. Ralph Turvey invited me to join him in the XYZ club, which dined periodically at the House of Commons to discuss economic policy with Labour MPs. Also, many who came after me, such as Tony Atkinson, were not in the ‘hostile’ group. Although these observations are not meant to dispute the author’s contention, I think my caveat needs to be noted for a more balanced view.

Glennister’s narrative begins with Cannan who gave lectures on local taxation in 1895. addressing topics that “...would today be considered part of the ‘economics of social policy’. (p 146) Hugh Dalton gave subsequently published lectures on public finance, taxation, and its distributional consequences. Later, Prest’s 1960 book on public finance in theory and practice went into seven editions while in 1980 Foster and his co-authors “...produced an outstanding follow-up to Cannan’s work, a study of local government finance that has never been outdone.” (p 147)

Path breaking work was done by Tibor Barna on the combined incidence of taxes and public spending which began as an LSE PhD thesis. Research on taxation and income distribution was accentuated by the appointment of Tony Atkinson in 1980, bringing with him the research program *Taxation, Incentives and the Distribution of Income*. “The programme proved to be a major contribution to the theoretical and statistical analysis of income distribution, but it also added a completely new technical means of analysing the distributional consequences of changes in tax and benefit policy, namely microsimulation modelling.” (p 150) Major emphasis was given to the measurement of poverty and to measures designed to alleviate it. This was an interest that Atkinson said was originally aroused in him by his reading of *The Poor and the Poorest* by two LSE staff members, Brian Abel-Smith and Peter Townsend. This emphasis on the poor offers an interesting contrast to today’s almost exclusive emphasis by politicians on the effect of their policies on the middle class rather than the poor. A second programme Atkinson initiated was the Welfare State Program. In collaboration with Julian Le Grande and John Hills he produced a large output that among other things “...produced a consistent detailed time series on different kinds of social policy expenditure, and how far stated objectives in each policy area had been achieved in the last quarter of the 20th century.” (p 151) The programme also produced a microsimulation model that could be used to estimate the distribution effects of the welfare system over the full life cycle of recipients.

Glennister shows how the ideas of imperfect information, uncertainty and behavioural economics were developed in many policy applications by Nicholas Barr. He also deals with the work of Julian Le Grande on the causes and consequences of, and remedies for, government failure in delivering its services. In



conclusion he states: “the Economics Department at LSE has engaged with questions of social policy more than many, perhaps because of the very existence of an interdisciplinary Department of Social policy ‘next door’”. (p 161)

### *Economica*

Jim Thomas’s essay on “*Economica* and the LSE Economists” follows the journal from its inception in 1921, through its breakup into two separate journals *Economica* (New Series) and *Politica* in 1932, to the present. It shows *Economica* moving from a ‘house journal’ to the current position in which LSE economists publish mainly in specialised journals leaving *Economica* to occupy a respectable but not quite front-rank position among general economic journals. The essay ends with six appendices showing *Economica*’s authors, editors, and rankings over time.

## **PART II: SOME LSE ECONOMISTS**

Part II presents essays on 29 economists who had been or still are on the School’s staff and organised in chronological order of their birth dates, from 1861 for Cannan to 1948 for Pissarides. Virtually all the essays start with a brief biographical sketch of the person’s life and career, indispensable for such a wide-ranging set of economists. The one exception is Max Steuer’s rather eccentric essay on myself where there is no such sketch.

The volume’s editor gives a list of criteria for deciding where to locate economists who had major associations with more than one University. There is, however, one implicit criterion: that the person is not the subject of an essay in another volume in the Companion series. Presumably this accounts for such economists as Kaldor and Meade, who went on to Cambridge, being excluded while Hicks, who went on to Oxford, is included. Completeness required a list of economists who had major attachments to the LSE but who were excluded because of being in another Companion series volume.

The essays on individual economists are accompanied by a list entitled “Main Works by...”. The lengths of these lists vary greatly from a third of a page for Mishan and a half page for Cannon to six pages for Lerner, and about three for Nichol, Sargan and Turvey. The rest have at least one and less than three pages. Wondering if these four could have been that much more prolific than the rest, I looked for other ways to check on the lists. Excluding the outlier of Lerner’s six pages, the average length of the list is 1.4 for the oldest nine, 1.7 for the next nine and 2.2 for the ten who were born most recently. Were more recent authors really more productive of ‘main works’ than those born earlier? Since it would take much research to see what, if any, of each author’s substantive papers are omitted, I

resorted to the only one for which I had full coverage. Of the 201 items listed as essays or monographs on my CV, the editors (not Max Steuer, the author of my biographical essay but, as he points out in a footnote, some anonymous persons) have chosen 25. These include every one of the earliest 14 items on my list of essays, running from 1956 to 1964, of which three are short notes and two articles in Bank Reviews. Of the 35 items in my essay list published in the 1970s they list one, of the 92 items from 1980 to 1999 they list none. From the 62 items from 2000 to 2009 they list one and from the 19 items from 2010 to the book's publication date they list two. Of course there is an element of judgment in making such a list, but I can think of no valid criteria by which to include my early short notes and bank review articles while excluding such as Carlaw and Lipsey (2011) in which we develop a dynamic, non-equilibrium model of economic growth driven by general purpose technologies generated endogenously under conditions of uncertainty. I hope that other economists' lists are more representative than mine.

Another issue is that although almost all the authors confine their observations to the views of their subject, two devote considerable space to their own ideas. First, in an excellent essay on Mishan, the authors spend four of their 13 pages telling us what they think about things that Mishan did not consider. Although I agree with most of what they say in these passages, the space might have been better used telling us more about Mishan's ideas and contributions. Second, Max Steuer's essay on Lipsey contains many of Steuer's ideas and personal interactions with Lipsey. Presumably this is because of the unusual nature of his essay, which in many places is about his interactions with Lipsey rather than about Lipsey's career in general.

Finally, I observe that almost all the essays are complimentary about their subjects -- as we would expect since they are singled out from the many other distinguished LSE academics. The one major exception is James Forder's essay on Bill Phillips, which stands out in its critical manner. Since this is the exception, I consider it first and, in more detail than the others.

### *Phillips*

Forder's essay on **A.W.H. Phillips** begins with a short biography followed by three pages debunking the more romantic details of the story of the radio that Phillips undoubtedly built in his Japanese prisoner of war camp.<sup>3</sup> I agree with Forder's scepticism about these details, which were reported by the obviously unreliable van der Post.

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<sup>3</sup> For a more detailed and sympathetic coverage of Bills' background and early life see Bollard (2016).

Turning his attention to the Phillips machine, Forder argues: “It sometimes seems to be implied that the machine was a device for conducting research, but it really was not.” (p 585) I never heard that claim and Bill surely saw it only as a teaching device. Although the machine did not sell as some expected, we knew it as a wonderful teaching device when used by James Meade in his graduate seminar on international trade. Two machines had been linked together and the fiscal and monetary controls for each country were assigned respectively to four students. Our repeated failures when we tried to smooth out income fluctuations showed dramatically how much more difficult stabilisation policy was than it appeared to be when studied in a static context. Forder goes on to argue that the machine did not settle the loanable funds-liquidity preference debate on the grounds that this debate continued long after the machine’s introduction. Be that as it may, it certainly helped to sort out the relation between stocks and flows, something which at the time often confused even the finest economists, as the debate over Patinkin’s *Money Interest and Prices* illustrated. What Forder does not say is that at the time many of us, including many of our teachers, had only the vaguest notion of what a full-blown economic model would look like so that the water-flow model was our eye opener. Forder concludes this section with the observation that the machine “...was intricate and clever, it's conception was remarkable, and its construction showed great skill and ...for its time it was a technologically sophisticated analogue computer.” (p 589)

In the next section “The Phillips Curve and Policy Making” Forder goes into many of the points he has argued in other publications, particularly Forder (2014). Since the debates in these are too complex to be covered here, I will only make a few comments. I agree with Forder that there is no evidence that the curve had any significant effect on subsequent economic policy. Also, many economists before Phillips believed that wage changes would vary with the state of the economy. What Phillips did was, by taking unemployment as a proxy for demand, to estimate that a relatively low rate of unemployment was consistent with wage increases equalling productivity growth so that the price level could be held constant. Rough and ready it may have been, but this was a measurement that no one else had thought to make and one that had dramatic effects. The hostility to Phillips’ paper, particularly among Cambridge Keynesian, was I think because they thought this estimate would encourage policymakers to use unemployment as a means of controlling inflation. Forder argues, as he has done elsewhere, that there is no reason to believe that Phillips saw his curve as ‘deeply embedded’ in his earlier  $\dot{P}$ - $Y$  curve that related changes in the price level to the level of national income. All I can say is that Bill told me many times how Henry Phelps Brown had drawn his attention to the 19<sup>th</sup> century data on unemployment and wages that could underlie

his earlier curve. Bill certainly thought his  $\dot{W}$ - $U$  curve could be integrated with his  $\dot{P}$ - $Y$  curve, as it was for example done implicitly in Dicks-Mireaux and Dow (1959), although Bill never did this explicitly. Forder also states that "...as advancing the idea of an unchanging 100-year relationship, it is also a silly paper." (p 605). Although the period after the First World War is unclear, many macro economists would have no problem in finding an unchanged relationship between  $\dot{W}$  and  $U$  over the last half of the 19th century when the price level was trend free and, therefore, could be expected to remain unchanged. Forder describes the paper as being among other things 'poor' and 'sloppy'. No doubt all kinds of criticisms can be correctly levied at it, but something odd remains after all this is said. First, the paper created great interest, both critical and approving, soon after it was published. Second, it led to an enormous volume of further work. When I was asked to prepare (later in conjunction with Bill Scarth) a volume of readings on the curve, (Lipsey and Scarth 2011), our bibliography quickly grew to the content of the three volumes that we eventually published and from which we had to omit several interesting papers. Historians of economics may demonstrate that these papers were not part of a trajectory started by the Phillips' paper, but most of the authors in our three volumes certainly thought they were. It would not be the first time in the history of our subject that a poorly crafted, even fussy, idea was creative in the enormous volume of work that it inspired.

The section on stabilisation places Phillips work in the context of a then-growing interest in optimal control policies. At least for us at the LSE, the separation of control policies into proportional, derivative and integral was an important insight. So was the finding that reacting to the size of the exchange reserves, as UK governments often seemed to do, was to use an integral control which his analysis showed to likely be destabilising. Forder observes "... the most striking single point emerging from these works is the extreme complexity of dynamic responses of even rather simple-seeming systems." (p 598) He uses the lack of many references to Bill's work in this area to argue that although it showed great insight it had "...little impact and important ideas were seen in his work only when they had been independently rediscovered. Insightful, clever, even brilliant, he may have been important he was not." (p 601)

He goes on to point out that in his last paper Phillips made the devastating point that "...if there is any imperfectly estimated system, and control is applied to achieve policymakers' goals, then because of the problem of identification, the new data that is generated cannot be used to improve the estimate of the system."(p 601) This is a more fundamental criticism than Lucas's. "A response to the Lucas critique is to attempt to estimate the single, 'deep structural parameters' which are invariant as policy changes.... [But] Phillips's argument could apply just as much

to that project as to one estimating behavioural relationships.” (p 602) Forder concludes with the harsh but strongly argued point that “...Phillips was innovative, quirky and clever. Several pieces of his work...were well ahead of his time, much deserving of greater recognition than they had. Those things make Phillips a figure of some note. But he never wrote enough, and what he did write never had impact enough for him, despite his fame, to be more than that.” (p 606).

### *The 28 Others*

What follows are a few thoughts on each of the 28 other LSE academics, ordered as they are in the book.

**Edwin Cannon** was on the LSE staff from its inception in 1895 until 1926. His political economy text (1888) was marred by conceptual confusions while his *History of the Theory of Production and Distribution* (1893) sold only modestly. Nonetheless, according to Keith Tribe’s essay, the book “...can still be read with great profit today, because ...the ‘robust common sense’ to which he submits past arguments cuts through many of the received ideas built up in the course of the twentieth.” (p 212) But the project that made his name was his editing of a student’s notes from Adam Smith’s Glasgow lectures. “His scrupulous work on the text ensures that ...[it] remains superior to most such introductions by virtue of his detailed knowledge of the relevant contemporary literature.” (p 210).

**Arthur Lyon Bowley** was a more distinguished economist than Cannon. In his essay Adrian Darnell summarises that: “Bowley was a very modern economist whose work was significantly ahead of its time. He was a heavyweight in both applied economics and statistics and his seminal work and social investigations, where he pioneered sampling techniques, exemplifies his studious approach to serious and important questions par excellence. ... Above all, his work, both theoretical and applied, advanced the development of an empirical evidence base in the social Sciences.” (p 235)

**William Henry Beveridge**, a controversial director of the School from 1919 until 1937, was instrumental in changing it “...from a tiny local college in London into a great international university at the centre of the business and academic worlds in the UK.” (p 241) Although regarded as one of the founders of the modern welfare state, he is “...often viewed as an amateur economist who made almost no contributions to the economic discipline.” (p 239) In his essay Atsushi Komine contradicts this view, quoting Nobel Prize winner Clive Granger saying that Beverage provided “...not only the most sophisticated piece of analysis of economic historical data but also the most extensive calculation in the field of time-series analysis before the war”. (p 144) Beverage also made important contributions to economics by “...creating a modern theory of unemployment.” (p

244) Certainly, up to my retirement I used the Beveridge *U-V* curve in my lectures on stabilisation policy.

As an interesting sidelight, in the first seven editions of *An Introduction to Positive Economics* I used a long quote from Beveridge's School-leaving address (Beveridge 1937) where he suggested that many current debates among economists might suggest that: "...economics is not a science concerned with phenomena, but the survival of Medieval logic, and that economists are persons who earn their livings by taking in one another's definitions for mangling." I had no idea at the time that his was an only slightly veiled criticism of many LSE theorists and that I was thus, very publicly, taking sides against some of my colleagues in a once-heated debate about the relation between theory and facts.

In his essay Noel Thompson tells us that **R. H. Tawney** was "...an economic, social, cultural and intellectual historian, political economists, activist and commentator, social and political philosopher who came to be one of the most important, left wing, public intellectuals of the twentieth century..." (p 236-7) Although many of his views have been subject to intense debate, Tawney was particularly prescient in observing that: "...beyond a certain point a rise in material affluence will not be correlated with an increase in happiness"; that there is "...a tension between capitalism and democracy ...the political and economic power of transnational corporations and the concentration of media ownership"; that different opportunities for mental development and civilisation are a matter of concern, as are "...the continued dominance of... the upper echelons of political and administration by those with a public school and Oxbridge education" (p 284) and, one might add, similarly in the US for those with an Ivy League education.

Although **Hugh Dalton** is probably most remembered as a Labour politician, John King observes that when in celebration of its 125th anniversary the *Economic Journal* listed the 10 best papers that it had ever published, the first on the list was Hugh Dalton's "The Measurement of the Inequality of Income." Although Dalton was only on the LSE staff from 1919 to 1935 "...he made a significant contribution to the economic literature, not only on the theory of distribution but also on public finance and the economics of socialism." (p 289-90) King quotes Atkinson and Brandolini as saying that Dalton's measurement paper "...was ahead of its time... It took half a century of substantial achievements in neighbouring fields, such as social choice theory and the theory of decision under risk, before his seminal contribution could grow into a fertile research field" (p 293)

**Frank Walter Paish** unlike many economists in this volume, does not have a series of contributions that have stood the test of time. However, we his junior

colleagues, respected him because as the essay's author, Robert Cord, quotes LSE economist, Jack Wiseman, as saying: Paish was "...practical, policy-oriented, and concerned with theoretical and technical sophistication only to the extent that the problems he tackled so demanded." (p 323). I remember many of his presentations to the famous Robbins Wednesday seminar, particularly the one where he used a scatter diagram of interest rates and national income to offer empirical evidence of the existence of a liquidity trap -- over a time period that I can no longer remember. Cord also quotes another ex-LSE economist, Maurice Peston, saying that Paish's book *Business Finance* "...was almost the founder of the study of the economics of business finance [in the UK]". (p 320) Paish was probably best known at the time for his advocacy of the 'stick view' of economic growth in which operating the economy with significant excess capacity would provide the incentive for firms to raise productivity, as opposed to the Keynesians' view that productivity growth would be best encouraged by operating the economy at, or even slightly above, full employment. The author mentions two tests that found Paish's view to be unsupported by the evidence, those of Michael Sumner in 1968 and Raj Junankar in 1970.

Reading Robert Cord's essay on **Arnold Plant** provides me with a long-too-late warning about the mistaken tendency of young economists -- we 1950s young LSE economists in this case -- to dismiss the work of elders written long before our time. Certainly, I was unaware of Plant's two 1934 seminal articles on patents which the author quotes Lionel Robbins as judging to be among the leading contributions to the study of economic institutions and which remain classics to this day. Our ignorance also applied to what the author tells us was Plant's important work on Africa and on business administration, to say nothing of his profound influence on his many students.

Susan Howson's essay on **Lionel Robbins** is worth reading in detail. I think everyone on the staff, including we younger members, greatly admired Lionel for his commitment to economics and to the importance of Western values. His famous Wednesday seminar was, during our time, stimulating by ranging across the entire subject, as opposed to the more specialised seminars that grew up later. As Popperians, we disagreed with his deductive view of economic methodology and his dismissiveness of economic measurement. But as long-time head of the economics department, author of important works on methodology, economic history, the history of economic thought and policy, important contributor to the UK's wartime administration, and brilliant lecturer, Robbins was indeed a man for all seasons.

Much of Boetke's essay on **Friedrich Hayek**, who was on the staff from 1929 to 1950, is devoted to a rather opaque discussion of Hayek's part in the debate

over the possibility of economic calculation under socialism. Clearly, the extreme form of socialism defined by Mises would have had little chance of directing resources in an even vaguely rational manner. But most actual socialist countries did have access to signals that gave some indication of the scarcity of inputs and outputs relative to demand. The victory of market economies over USSR-style communism lay not in their relative efficiency in the allocation of resources but in their superior ability to produce economic growth driven mainly by endogenously generated technological change. It remains to be seen how the modern Chinese mixed system will perform relative to the Western system in this key aspect.

**Abba P. Lerner** entered the LSE as an undergraduate in 1929 and left as an Assistant Lecturer in 1937. As the authors of this essay observe: “It is not an easy task to sum up the contributions of [such] an economic polymath”. (p 420) Nonetheless, they indicate six important aspects of his work “...the first treatment, in general equilibrium terms, of increasing returns in international trade,...development of a cogent theory of monopoly,...the relationship between mainstream economic theory ‘socialist economics’ and the notion of a socialist statics and dynamics,...a series of papers outlining his *own* interpretation of Keynes’s approach,... [producing] his own ‘LSE book’ based upon his PhD dissertation, and published in 1944 as *The Economics of Control*, ...[and] exposition of the notions of functional finance.” (pp 202-3)

In his brilliant essay on **John R. Hicks** H. Hagemann covers in a mere 25 pages Hick’s major works and controversies from his Neoclassical *Theory of Wages* to his later work expressing the importance of dynamics and historical context. The section headings are indicative: Hicks the Labour Economist, Hicks and Hayek, Hicks and Keynes, Value and Capital, Welfare Economics and Sir John versus J. R., in which he discusses his transition from a neoclassical to a non-neoclassical economist—transition with which I have great sympathy. If I could read only one of the 11 biographies covered so far, it would be this one.

My contemporaries had a high regard for **Henry Phelps Brown**: ‘create an interesting concept and he will figure out how to measure it.’ He was an historian of trade unions and calculator of centuries-long data sets of prices and wages that offer often-ignored perspectives on today’s occurrences. I used his series of prices over nearly seven centuries as the basis of my much-reproduced 1960 article “Does Money Always Depreciate?” His demonstration that a good statistical fit of a Cobb Douglas production function does not validate the marginal productivity theory of distribution was as devastating as it was surprising to many of his contemporaries. He produced one of the more sophisticated versions of the cost push theory of inflation with four combinations of strong and weak unions and strong and weak economies.



**Evan Durbin** was on the LSE staff from 1929, researching credit policy and planned economies, until he joined the wartime administration. He played an important part in the post-war Labour Party and would have gone on to higher achievements but for his untimely death in 1948.

**R.G.D Allen** was on the LSE staff from 1928 until he retired. A writer on welfare and consumer theory, his most fundamental contribution was probably in two articles, one attributed to Hicks (1934) and the other to Allen (1934), although they really were joint authors of both. His *Mathematical Analysis for Economists* taught many of us the basic mathematics that we missed in our university training. “His interest in econometrics was an early response to the growing possibility of bringing economics and statistical testing together... a significant contribution to economics from a statistician. (p 525)

**Richard Sidney Sayers**, who was on the staff at the LSE from 1931 to 1935 and from 1947 until his retirement in 1968, was famous for his major participation in the Radcliffe Committee report on the working of the UK monetary system. It was greeted unfavourably, largely because of its emphasis on the vague and unmeasurable concept of liquidity. His primary contributions were in monetary history, including that of The Bank of England. In their essay Alec Caincross and Charles Goodhart report on Sayers’ hostility to most economic theory and his rather aloof manner. I offer two personal experiences that might slightly temper those judgments. First, at some time in my tenure at the School, Sayers asked me to deliver a set of (non-mathematical) advanced theory lectures to his final year specialists in Money and Banking who he felt needed more theory than they were getting in their normal courses. I did this, although I shudder to look back on what we then regarded as ‘advanced theory’. Second, Sayers wrote to Kelvin Lancaster and me congratulating us on the publication of our “General Theory of Second Best”. He was our only professorial colleague to express approval while the others were either silent or followed Robbins when he observed to me over lunch: “But my dear Dick it is so nihilistic”.

**Ronald H. Coase** was a student at the LSE from 1929 to 1932 and on the staff from 1935 to 1951. Alain Marciano summarises Coase’s work as transforming “...economics by giving birth to two new subfields in economics, namely transactions cost economics and law and economics. It also transformed economists’ way of thinking about firms and transaction costs, institutions and property rights in economic activities.” (p 555). Marciano distinguishes Coase’s methodology from those of Freidman and Stigler and the rest of the Chicago

school.<sup>4</sup> Coase advocated theory but theory closely supported by empirical observations. So, firms and consumers must be assumed to be more than just self-centred maximising agents, a view that is in line with modern behavioural economics.

This short essay on my ex-colleague and friend **Ezra J. Mishan** concentrates on his contributions to cost benefit analysis where, among other things, he did pioneering work on the valuation of human life, and on his famous critiques of the alleged benefits of economic growth. Much of what Mishan says on this latter issue was, and still is, an excellent warning of some of the real and potential costs of growth. Nonetheless, Mishan's general scepticism about the benefits of growth and globalization seems overstated when we contemplate the hundreds of millions of people in less developed countries who have recently been raised out of poverty by globalization. Growth induced climate change may bring disaster over the next century, but if so, it will be due to a failure of human will since the technology needed to deal with the issue already exists.

**James Durbin** was a statistician on the staff of LSE from 1950 to 1988. He was best known early on to us non-statisticians by the famous Durbin-Watson test for first order serial correlation of the residuals in regression analysis. Aside from two papers on the effects of seat belts on road casualties, his papers were all on formal statistical issues. In the judgement of the two authors of this essay many of Durbin's contributions were fundamental and all have important practical uses.

Naoki Matsuyama's superb essay on **Michio Morishima** reveals a towering figure in mathematical economics with great depth and breadth. His early important work covered many aspects of dynamic general equilibrium theory. He left Japan in 1968 and after two years at the new University of Essex came to the LSE where he stayed until he retired in 1988. I was later told that he was unhappy during his time at Essex where I was chairman of the Economics Department, as our economics was not his sort. He did, however, do us one great service. We were about to hire another mathematical economist until Michio read his works and advised us against making a serious mistake. After coming to the LSE, he wrote important reinterpretations of Marx, Walras and Keynes. In his later work on 'Symphonic Economics' the authors tell us "...he wanted to combine the analytical views obtained from his economic research with interdisciplinary historical and sociological factors, and he believed that complex economic phenomena could not

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2. I am, however, baffled when Marciano writes on methodology that Lionel Robbins "...had a conception of economics that was used and pushed further by Chicagoans but one that also became dominant more widely in economics." (p 556) In contrast, the Chicago view as stated in Friedman's essay "The Methodology of Positive Economics" was a rather crude version of Popper's methodology which was diametrically opposed to that of Robbins.

be explained by ‘solo’ disciplines like mathematical economics.” (p 659) Bravo Michio!

**John Denis Sargan**, an LSE staff member from 1963 until his retirement in 1984, “...played a key role in LSE’s astonishingly rapid emergence as the world's leading centre for econometrics during the two decades from the early 1960s to the mid-1980s.” (p 667) As Morishima was a towering figure in mathematical economics, so was Dennis Sargant in econometrics. This essay from two of his students, D. F. Hendry and P. C. B. Phillips, is more personal than many of the other essays—and the better for that. Sargan’s list of fundamental contributions is legion. However, “...despite the appearance of disparate contributions, there is the overriding theme of improving the quality and reliability of empirical modelling... [and his] primary gift to the profession is as a consummate toolmaker. .... That achievement is buttressed by the huge effort he devoted to bringing forward a generation of technically trained doctoral students who further advanced his approach, often starting from one of Denis's original insights.” (p 686)

**Ralph Turvey** graduated from LSE in 1947 with first class honours and high expectations from his teachers. After a sojourn in Sweden he was appointed to the staff in 1948 and stayed until 1964, resigning after having been denied a chair that many of his colleagues thought he deserved. The view of many of my colleagues that I inherited while not forming it myself, was that Ralph had been the bright young man who everyone hoped would be the prominent theorist of the next generation but who did not live up to those expectations. Although he did not become the next Kenneth Arrow, he did go on to do excellent work in theoretical and applied areas. As Roger Middleton concludes in his essay: “Turvey was a very LSE economist of his time: one of the last of the generalist cohort who, in a long publishing career (1948-2010), made significant contributions in macroeconomics and, above all, applied welfare economics. ... [and in] his rejection of empty formalism before the term had been invented.” (p 713)

**Richard G. Lipsey** came to the LSE as a PhD student in 1951 and was on the staff from 1953 to 1964. This essay by Max Steuer is different from the others being to a great extent about how Steuer interacted with Lipsey while having no chronological treatment of Lipsey’s main contributions. Since anything that I say will sound like special pleading, I will content myself with only one observation. Although the essay is highly complementary, it largely ignores the last 25 years of my professional life that has been devoted to both the theoretical modelling and policy implications of economic growth as driven by endogenously generated General Purpose Technologies; work done largely with the Canadian Institute for Advanced Research--first as the head of their international research group on Economic Growth and Policy and then as a Fellow.

**Richard Layard** joined the School's staff in 1968 and retired in 1999 after doing important, sometimes path breaking, work on labour economics, income distribution and unemployment as well as setting up the highly influential Centre for Labour Economics. He was also one of those economists who argued it was important for Britain to join the Euro, something that is questionable given the subsequent experience. Indeed, the contrast between Iceland and Greece suggests the importance having monetary independence to deal locally with severe shocks. His later work has been in the new field of happiness which field, although controversial in many ways, has been important in forcing economists to consider the effects of growth beyond changes in GDP. I worry, however, that those in this field do not sufficiently stress the difference between happiness and wellbeing. Although I do not express happiness each morning when I obtain my water from a tap and use the indoor WC, I am certainly better off for not having to go outside to use a dry toilet.

The short biography of **Charles Goodhart** by Donald Kohn tells us that: “[he] has contributed to, and applied several strands of economic analysis to improve policy making especially policy making by central banks. He has been a pioneer in linking macroeconomics and finance, the fields that come together in the monetary and regulatory policies of central banks.” (p 765) To non-specialists in his areas he is probably best known for Goodhart's Law, based on his own experience with the unstable demand for money and the unsuccessful use of monetary aggregates as targets. It was originally stated before Lucas's famous paper: “...whenever a government seeks to rely on a previously observed statistical regularity for control purposes, that regularity will collapse” (p 768)

Raja Junankar's essay on **Meghnad Desai** makes a convincing case for Desai as a 'renaissance man': “[Desai] has published numerous books and academic papers on ...Marxian economics, agricultural economics, economic history, economic theory, development economics, macroeconomics, etc.”. (p 791) He is unusual among western economists in doing serious work on interpreting Marx. I am sympathetic to (most of) Meghan's views that “... Marx would have rejected Soviet-style economies, was an advocate of free trade and also supporter of free markets and thus against Soviet control of industries and central planning.” (p 797) After all, Marx believed that the great success of capitalism in producing high living standards would lead to the state withering away in the most, not the least, economically advanced economies, certainly not to be replaced by Soviet-style planning and coercion.

**Nicholas Adrian Barr** was on the staff from 1971 until his retirement. His two books, *The Economics of the Welfare State* and *The Welfare State as Piggy Bank*, make important contributions of which Stuart Astill isolates two: providing a

unified economic theory of the welfare state and seeing it as an efficiency device, arguing that while there was a strong case for public financing of health care, its delivery can be successfully done by either private or public organisations. In pensions he showed, importantly, that PAYG and funded schemes were not as dissimilar as often believed because "...in both cases pensioners consume only what workers do not consume; and in both cases the work effort to produce pensioners consumption as to be supplied by the next generation." (p 820)

**Stephen J. Nickell** was on the LSE staff from 1970 to 1984 and 1998 to 2005. This rather dense essay by Jan van Ours provides a summary of Nickell's work covering the determinants of investment, the effects of competition on product markets and the determinants of productivity, the influence of unions on wages and employment and the determinants of unemployment. Nickell and his co-authors developed a model from which they conclude that "...distortions in the labour market are predominantly related to the system of benefits under the process of wage determination." In a later paper they argue "...that changing labour market institutions provide a reasonably satisfactory explanation of the broad patterns of longer-term unemployment shifts in the OECD." (p 849)

In his essay on Nobel Prize winner, **Christopher A. Pissarides**, Etienne Wasmer tells us that Pissarides' work "...explains unemployment as a result of a number of labour market and non-labour market parameters in a flexible enough way that accommodates most country and specific time-period experiences .... Chris is someone who, over the decades, was consistently right about many theoretical and policy issues and, as such, has won most of his intellectual battles." (p 887)

All in all, this is a wonderful story of an institution well into the second century and of the many achievements of its staff of which I am pleased to have been a member, even if for only a decade.

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