REMINISCENCES OF DUDLEY DILLARD

Excerpts from a Roundtable Discussion at the 20th Annual Convention of the Eastern Economic Association in March 1994

Introduction

Mancur Olson
University of Maryland

Dudley Dillard served the Eastern Economic Association as a member for a good many years and as a member of its Executive Board and as its President for the 1987-88 academic year. Quite apart from his other achievements, I believe this justifies today's session.

I was a very special friend and admirer of Dudley Dillard and very much mourn his passing. I am indebted to him and his partner Louisa, as are the Eastern Economic Association and its Journal. Indeed his professional achievements were numerous. His book, *The Economics of John Maynard Keynes*, published in 1948 and translated into ten languages, encouraged much interest in Keynesian economics. His contributions to the History of Economic Thought and Economic History are varied and great. A noteworthy honor was his receipt of the Veblen-Commons Award from the Association of Evolutionary Economics in 1986. The enumeration can go further, but I have chosen to allow the panelists to present their remembrances.

We have chosen to include the remarks of four Nobel Laureates, Lawrence R. Klein, Paul A. Samuelson, Robert M. Solow ánd James Tobin because of their special connection to Dudley.

Lawrence R. Klein
University of Pennsylvania

Dudley Dillard and I shared the experience of being University of California students. Dudley was ahead of me both as an undergraduate and as a doctoral candidate, finishing his Ph.D. just as I entered. While I was more closely associated with mathematical economists and statisticians at Berkeley, he studied the history of economic thought. In particular, his association with Leo Rogin led him to study the monetary antecedents of Keynes, Proudhon, and Gesell.

I was able to draw upon Dudley's work by reading his dissertation on interlibrary loan when writing my own dissertation at MIT on the *Keynesian Revolution*. In addition to my exposure to Paul Samuelson, who looked seriously at the writings of some of the *heretics*, and Dudley Dillard, I discussed economics with the nuclear physicist and amateur economist Leo Szilard, who independently conceived a monetary system of red money for savings and green money for spending to guide a monetary economy without trade cycles. Szilard's dual money proposal was related to Gesell's stamp-taxing of money to maintain spending. Interestingly, however, I did not meet Dudley until after these discussions, while he was visiting Columbia and I was on the staff of the National Bureau.

Because of our shared interest in the Keynesian perspective, I experienced a great commonality of thought with Dudley during the world of the 1930s and 1940s, and even later. We were both impressed with the idea that economic theory, in this case macroeconomic theory, reflects the issues of the times. Dudley naturally emphasized the monetary side of Keynesian analysis. While I have come to find that increasingly fruitful, I believe that the real side is much more important.

When I reviewed *The Economics of John Maynard Keynes*, Dudley's book, for the *AER* after having just come back from a year with Ragnar Frisch and Trygve Haavelmo, I was working with the issues of the real and the monetary dichotomies. I shall be forever grateful to Dudley for inspiring me to think carefully about the role of money in the Keynesian system and the historical influence of antecedents — no matter how much or little they follow the establishment line — and to appreciate the grains of truth in the views of the so-called cranks or heretics.

Although the University of Pennsylvania is dismantling my personal library, I retrieved *The Economics of John Maynard Keynes* from them and started a couple of days ago rereading my annotations in the margin. I thought that some of the things Dudley took up in that book, which was an excellent exposition of Keynesian economics, were very good. In one passage he says,

> However, even if all the conditions necessary to restore perfectly free or thoroughgoing competition among wage earners might by some miracle be realized, this would not meet Keynes's fundamental challenge to the classical school. His theory of employment and unemployment does not rest on the premise of rigid wage rates.

While this has been a very strongly debated issue, I would certainly endorse Dudley's interpretation, which had a significant influence on my own work.

Moreover, as I was reviewing it, I found notations to myself in his book dealing with the concept of capital and labor. They refer to the fact that capital is produced by labor, and that labor, working in an environment of technology, natural resources, and the assets produced by past labor, can make capital assets less scarce. Capital is the product of past labor embodied in assets.

I think Dudley was very perceptive not only in seeing the problems of the 30s and 40s and the significance of the Keynesian contribution, but in having a really deep understanding of the economic process.

Paul A. Samuelson
Massachusetts Institute of Technology

Since this is a family gathering I digress, first, to speak of this young Mancur Olson fellow. It is not true that I was a perfect teacher. I recall being corrected in the classroom three times. Once was in 1956, once was is 1959, and I don't remember the third. The 1956 occasion involved Mancur Olson. I was then a third of a century into economics. Mancur was in his first week of graduate study in economics. He may even have walked into my classroom under the misapprehension that I was Edward H. Chamberlin. It is possible that he never realized his mistake, even by the end of the semester.

Well, I started out in a very sage way discussing methodological issues. I said that there are different kinds of propositions in economics. There are *logical* propositions such as 2 plus 2 equals 4, for which the force of truth comes only from logical structure. But there are also *empirical* propositions, such as the speed of light is 186,000 miles per second or Bowley's Law that about three quarters of the GNP goes to labor, or some other asserted sequence in which A follows B as the night the day. When I offered this last example, our young upstart raised his hand to say, "Sir, that is not an empirical proposition. That's what we mean by 'night', the interval between two 'days'." And I realized that I had a new worthy disciple for the army of revealed preference.

However, we did not gather here to talk about Mancur, but to praise Dudley Dillard.

Dudley Dillard and I were of the same generation. Ours was a lucky generation for an economist. Our older brothers came out of college during the Great Depression when there were no jobs for anyone. Our timing was better. While 10,000 banks were failing, Dudley and I were learning the old fashioned economics which proved that mass unemployment was impossible. About the time we became old enough to vote for Franklin D. Roosevelt, Keynes' *General Theory* appeared, and by mastering it we could feel superior to the general run of mankind; and we actually were superior to them in understanding recovery, war finance, and postwar growth miracles for the Mixed Economy.

As Wordsworth said,

Bliss was it in that dawn to be alive
But to be young was very heaven!

And as I may add,

Not bad was it in that dawn to be offered
good jobs and opportunity to advance
on a fast-moving UP escalator.

Most of today's speakers concentrate primarily on the Dillard of the Effete East, and it is proper that fifty years of distinguished effort should outweigh the years of his apprenticeship. Still, it is also in order for me to hark back to the golden days at the Berkeley of Dudley's youth. As a Midwesterner I can objectively testify that the sun really was brighter then, the rains balmier, and the fogs more translucently opaque. Graduate students had time for more than calculus and stochastic matrices. As I understand it, a circle of disciples gathered around the charismatic Leo Rogin. The tenured faculty were slow in giving Rogin his just promotions, but the students knew how God ranked the likes of Rogin and Ira Cross or Howard Ellis. Dillard, by force of intellect and complete absence of guile, was selected by students to be a natural leader — or should I say ringleader. So it was ever afterwards.

Dudley Dillard, by his writings and quality of character, earned the respect of colleagues. When you read in the record that he received the Veblen-Commons Award, don't think that his accomplishment was solely in the realm of Institutional Economics. That was indeed a field in which he shone. But Dillard's eminence was also in Keynesian economics. Precious few of the followers of Veblen, Ayres, Commons, or Mitchell displayed Dudley's eclecticism and versatility. The titles of his reprints in my collection are astonishing in their diversity. Here are only a few:

Keynes and Proudhon
Big Inch Pipelines and Monopolistic Competition in the Petroleum Industry
Pragmatism and Economic Theory
Ricardo and Economic Theory
Ricardo in Retrospect

And this takes no notice of his major writings in economic history.

Ordinary folk achieve their immortality in the memories of family and friends. We scholars live on through our publications and those of our students. In this respect Dudley Dillard will be well and long remembered.

There is another dimension of merit that I ought to mention on this occasion. The biographer of a great economist, both of whom shall be nameless, said to me,

> X was a great stylist. His erudition, originality, and verve were breathtaking. But in private, I have to ask myself the question: Was he a good human being? Did he care about the welfare of mankind? And, at the end of the day, I am not sure that I can judge X to have been a good man.

I speak for all those who knew this fine and gentle person. Dudley Dillard was indeed a good man.

Robert M. Solow
Massachusetts Institute of Technology

I am from a generation that came to know Dudley Dillard by reading his books. My copy of *The Economics of John Maynard Keynes* was undoubtedly paid for by the GI Bill. A generation of graduate students learned about Keynesian economics from a few articles and a few books —books not by Keynes, but by Dudley Dillard, Mabel Timlin, and Lawry Klein, among others. It was books like these and a small number of articles like Oskar Lange's famous paper and Hicks' paper *Mr. Keynes and the Classics* that taught my generation what Keynesian Economics was all about. We needed these because *The General Theory* was in those days an essentially unreadable book, as it remains today.

Economists still argue about what Keynes really meant. Can you imagine two people meeting on the street and wondering what Gerard Debreu really meant? It's impossible to conceive. Dudley, in that book, along with the others that I've mentioned, shaped a whole generation's perception of Keynesian economics. I'm a member of that generation.

In later years most of my contacts with Dudley and Louisa came through the Eastern Economic Association, to which he was truly devoted. Usually, we talked about macroeconomics. Most of the new ideas we talked about lasted for one conversation and no more. But we would also talk about what we thought was enduring in macroeconomics.

It is important to realize that Dudley was a Keynesian before it was fashionable, and he remained a Keynesian after if went out of fashion. He was not particularly moved by intellectual fashion, but by the belief that macroeconomics is a practical subject which is supposed to provide some understanding of this morning's newspaper.

Dudley was one of those people (I think there are fewer of them now than there used to be) who became an economist as part of a general desire to do good. When we talked about the latest hotshot fashion, he always displayed a charmingly quizzical attitude. He was bemused more often than not by what intelligent people could bring themselves to believe about business cycles.

We also talked a lot about the Eastern Economic Association. Dudley had an intensely practical devotion to this Association, as he thought it could contribute to the development of scholarship in economics by providing an outlet for a larger and broader group of people to exchange ideas than the national associations could accommodate. I think and sincerely hope he was right.

James Tobin
Yale University

I very much regret that I could not be present at the session in honor and memory of Dudley Dillard, a man whom the cliché compliment *a gentleman and a scholar* truly fits. Dudley and I were not close friends, but I think I can say we were good friends. Our personal contacts were infrequent and short, but they extended over many decades. I remember with pleasure the hospitality of Dudley and Louisa in Maryland on several occasions. Dudley was four years my elder, his doctorate being seven years ahead of mine. Differences like that meant a lot when we first met, so I always regarded him as my senior. I was entering the job market, and he was interested in recruiting me, an early evidence of his good judgment and one I particularly appreciated. Fortunately, we had other common concerns.

Our intellectual interests converged on Keynes. We were kindred spirits. Dudley appreciated earlier and more fully than almost everyone else who studied and elucidated *The General Theory*, myself included, the fundamental theoretical source of the divergence of Keynes from the classics. I refer to Dudley's emphasis on the implications of the simple fact that contracts and bargains for goods and services are expressed in dollars and cents rather than in real quantities. That fact, as Keynes himself somewhat cryptically argued in his Chapter 2, is the reason that the economy Keynes described is so different from the economy described by classical and now New Classical theorists. That money is not just a *veil* and that a *monetary economy* in Dudley's sense behaves very differently from the imaginary classical world of frictionless multilateral barter, is a principal message of Dudley's long series of articles on Keynes and his great 1948 book.

I particularly admire and appreciate Dudley's 1988 article, *The Barter Illusion in Classical and Neoclassical Economics*, not least its title. His points are central to refutation of the classical propositions, recently once again all too popular in our profession, that externally imposed wage inflexibility is a necessary and sufficient condition for unemployment and that Keynesian involuntary unemployment could not occur in the absence of irrational *money illusion*. The dynamics of a monetary economy are more problematic than the moving market-clearing equilibrium of *real business cycle theory*.

We extend thanks to Andy Kochera, one of Dudley's graduate students, and Louisa Dillard, Dudley's wife, who worked hard to bring these colleagues of Dudley Dillard together.