

ious passages in Keynes' writings in his *Treatise on Money* (1930), his *General Theory* (1936), and his 1937 *Economic Journal* article as indicating that Keynes believed that (a) the money supply could, under specific circumstances, be endogenous, and/or (b) the money supply should be endogenous—i.e., was Keynes a supporter of the "real bills" doctrine. The purpose of my introduction was merely to indicate that, in my view, the "idea of an endogenous component of the monetary system" (Davidson, 1988b, p. 371) could be found in Keynes. This is not the place to debate whether Rousseas or I provide the better interpretation of the cited passages from Keynes. My "Introduction" neither accepted nor denied the "extreme form" of endogenous money, namely a "full accommodation" at a given interest rate, which Rousseas attributes to Moore and Kaldor.

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MILES GROVES, FREDERIC LEE, and WILLIAM MILBERG

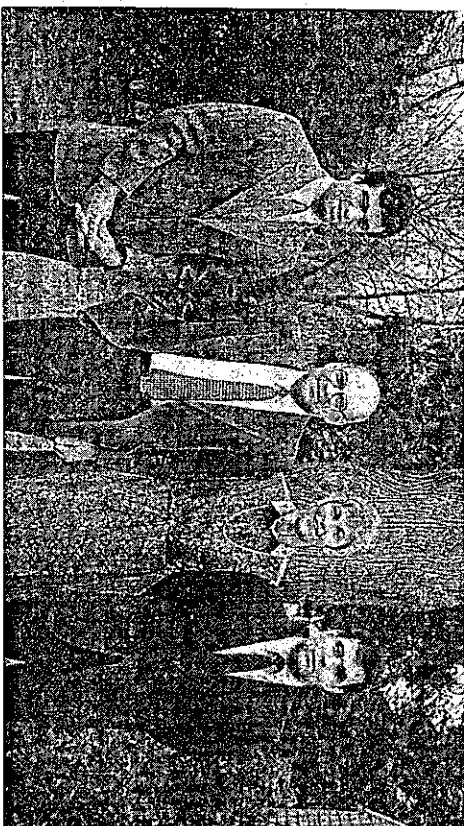
The power of ideas and the impact of one man

Alfred Eichner 1937-1988

A relentless battler against conservative, unscientific economic orthodoxy and a tireless, generous mentor to many young economists, Alfred Eichner was still an enigma to those whose contact with him was only on a formal professional level. But to know Alfred was to know an extremely calm and contented man—happy with his family, his students, and his chosen field. What propelled him into the ideological fray was both the conviction that the force of his ideas would prevail and the sheer joy he clearly felt at being able to live his life in a world of ideas.

Less than a month before he died, Alfred sent a 945-page manuscript to over 200 economists, requesting their editorial help. The manuscript, *The Macrodynamics of Advanced Market Economics* (Eichner, 1987), was the result of a decade-long research project in which he hoped to present, within a single text, a comprehensive treatment of the Post Keynesian alternative to neoclassical economics. After the publication of *The Megacorp and Oligopoly* (Eichner, 1976) and the *Journal of Economic Literature* article co-authored with Jan Kregel (Eichner and Kregel, 1975), Alfred began to develop the project which eventually resulted in *Macrodynamics*. At first the project was conceived as empirical validation of the *Megacorp*, but with an eye towards valida-

The authors are, respectively, Economist, The New York Times Company, Assistant Professor of Economics, Roosevelt University, and Assistant Professor of Economics, University of Michigan-Dearborn. They are all former graduate students of Alfred Eichner's at Rutgers University. They would like to thank Paul Davidson for his editorial advice.



Alfred Eichner with his wife Barbara and his two sons, James (left) and Matthew (right), at their home, November 1987.

tion of Post Keynesian theory. Later, however, Alfred expanded its domain to include also theory construction and methodological and epistemological criticism. He was always open to sound constructive criticism and he had a growing vision of precisely what the project required if it was going to be successful.

In 1977, Alfred was already hard at work constructing his Post Keynesian econometric model of the U.S. economy. Over the next decade, Alfred employed a number of students to help him collect data for his model, including the three authors of this essay. By 1979 he had progressed in his research far enough to produce a paper which was published in *JPKE* under the title "A Post Keynesian Short-Period Model" (Eichner, 1979). The article presented the econometric results from the first two blocks of a five-block model which dealt with the determination of the rate of growth of discretionary spending, of real aggregate output, and of employment. The remaining blocks explained discretionary funds for each sector, the change in various price indexes and, finally, the degree of liquidity pressure. Of the three remaining blocks, only the monetary-financial block, which explained the degree of liquidity pressure and other monetary variables, was completed and its results published before his death (Forman, Groves, and Eichner, 1984a).¹

¹This failure was largely due to Alfred's inability to obtain the required funding to complete the estimation from sources that routinely provide funds for mainstream

Between 1978 and 1982, Eichner devoted considerable effort to mastering Leontief's and Pasinetti's production models and neo-Ricardian theories of the long-period price. He sought to synthesize short-run business cycle theory with neo-Ricardian long-period analysis because he felt that it was necessary to place his analysis of pricing and the megacorp in a more general model if Post Keynesian price theory was to challenge neoclassical price theory successfully. The outcome of this work was first presented in a December 1982 working paper and was published the following year as "The Micro Foundations of the Corporate Economy" (Eichner, 1983a). It subsequently became the theoretical framework for the enterprise sector chapters in *Macrodynamics*.

Upon his arrival at Rutgers University in the fall of 1980, Alfred questioned the wisdom of having a core graduate curriculum in economics that prevented students from having any exposure to non-neoclassical theory. Alfred recommended to the Rutgers graduate faculty that between twenty-five and fifty percent of the core curriculum be devoted to Post Keynesian theory. This created considerable discussion and argument among most of the economics faculty. In response, Alfred wrote an epistemological essay in which he argued that neoclassical economics was a pseudo-science and that Post Keynesian economics was the scientific wave of the future (Eichner, 1981).² The graduate faculty rejected his recommendations, primarily on the grounds that neoclassical economics was the essential basis of economics and that heretical views had no place in the core. The Economics Department deemed Alfred not competent to teach graduate courses.

Alfred was unfazed. He organized a group of essays which dealt with the issue of "why economics is not yet a science." Alfred's models, but deny funds for non-traditional economic research. Alfred sought funding from the National Science Foundation, only to learn from administrators of the NSF and their evaluating committees that a non-neoclassical approach was not considered legitimate. Moreover, the non-neoclassical nature of the research made it difficult to publish in an American journal. The monetary-financial block research was rejected by several American mainstream journals, even though the journal editors would not provide a serious critical review to substantiate their refusal to publish. The preliminary results of the monetary-financial block were published in 1984 in a British journal and presented at an international conference in Ottawa (Forman, Groves, and Eichner, 1984a, 1984b).

²Alfred presented this paper at a faculty seminar in Rutgers' Winants Hall. The rather small room was overcrowded and the atmosphere was charged. But many members of the faculty simply rejected his arguments without providing serious critical analysis of Alfred's position.

contribution to the issue was an expanded version of his epistemological essay in which he discussed the role neoclassical economists as individuals and as a professional group played in creating and maintaining the reign of neoclassical theory and thus preventing economics from becoming a science (Eichner, 1983b).

By 1985, Alfred had come to view the unacceptable methodology of the neoclassical paradigm as so entrenched in the profession that its reputation required revealing its methodological shortcomings to the scientific community at large. Thus, in his usual direct style, he laid out in simple terms his critique of neoclassical theory in the pages of *Nature* magazine (Eichner, 1985). He wrote:

The fact that the prevailing practice in economics runs so counter to the norms of science suggests what must be done if economics is to ever become a science. Economists must come to accept as binding on themselves the rules which govern scientific work in general. At the very least, they must recognize the need to empirically validate the core body of economic theory along with the need to replace any theoretical constructs which cannot meet that test. It is doubtful, however, that so radical a change will occur without considerable pressure from outside the discipline.

Dasgupta and Hahn (1985) replied to Eichner's critique, in a retort full of personal attacks. Alfred battled back, analyzing and responding to Dasgupta's and Hahn's analytical points, but refusing to engage in personal innuendo. A man with strongly held opinions, Alfred had many confrontations with fellow economists. But he rarely held a personal grudge over an intellectual dispute.

While the empirical estimation of the remaining blocks of the Eichner model remained unfunded and hence incomplete, Alfred continued his effort to finish the *Macrodynamics* text. This text was part of a larger effort that Alfred envisioned, including student workbooks and databases for exercises based on the empirical results of his Post Keynesian model. The *Macrodynamics* text evolved as it was used by Eichner in a two-semester class at Rutgers, attended by graduate and undergraduate students.³

Empirical validation of Post Keynesian theory was, in Alfred's view, essential in order to synthesize the past accumulated body of empirical evidence in light of Post Keynesian theory and to test specific Post

³From this course Alfred recruited students for research assistance on the empirical side of the Post Keynesian econometric model and the input-output model.

Keynesian propositions. Not wanting Post Keynesianism to follow the neoclassical example of spinning theoretical propositions that were unsupported by empirical evidence, Alfred insisted that any theoretical speculation had to be empirically tested if it was to be taken seriously.

Alfred was committed not only to developing an empirical testing of Post Keynesian theory, but also to providing those interested with the information necessary to test, replicate, and validate his results. He attempted to establish a major, accessible database in order to promote the testing of theories in the *Macrodynamics* text and alternative hypotheses (for example, see Glick and Ochoa, 1987). He also intended to use this database to provide a set of microcomputer exercises to accompany the *Macrodynamics* text in order to familiarize students with input-output, flow-of-funds and national income accounting data. He envisioned a course in which each theoretical section was accompanied by an empirical exercise. Alfred considered himself a scientist and believed that the power of his ideas would eventually gain him the respect denied him by the mainstream of the economics profession.

Perhaps most extraordinary about Alfred's intellectual life was the degree to which it involved a deep commitment to students and young economists. In recent years, when Alfred was the only remaining Post Keynesian economist on the Rutgers faculty, he organized a workshop routinely attended by at least fifteen students. This was in an environment where attendance at regular Rutgers seminars rarely exceeded ten. When he was invited to give a guest lecture on Post Keynesian theory in the first-year graduate course on economic philosophy, Alfred generated such enthusiasm for his views that he was not invited back by the organizing faculty member the following year.

The non-Post Keynesian faculty at Rutgers may have resented Alfred for "luring away" the graduate students. Alfred developed a following among graduate students because he had a vision, a clearly held view of a just economic system and appropriate scientific method. Students were attracted to this man of strongly held views, particularly in a world where, for example, an assumption of non-convex functional forms was considered radical! Alfred's popularity among graduate students resulted not only because of his ideas, but also because of his openness. Perhaps he was a great teacher because he was always learning: occasionally, after a heated argument, Alfred would accept (sometimes immediately, sometimes weeks later) the position he was battling against. He inspired the graduate students at Rutgers because

he refused to let the hostility of his colleagues get in the way of his warmth, energy, and work.

Alfred was a theoretician who believed that for a theoretical construct to have credibility, it had to be empirically substantiable. That, and his seminal work on mark-up pricing, may be what he will be most remembered for. However, for many of us, he was much more. Alfred Eichner was a mentor to an entire generation of young economists who pursued an alternative to neoclassical theory. For those of us fortunate to have studied with Alfred and benefited from his encouragement over the years, he will be fondly remembered as a teacher and friend. He had no patience for closed-mindedness, but for those willing to discuss ideas freely, Alfred was a man of compassion, an inspiration to many. He was possessed by an unfailing degree of optimism and the belief that the power of ideas was greater than all of us. When he died, telephone calls immediately went to people all over the United States, in Canada, Italy, Britain, Brazil, and Japan. The shock was universal. If the measure of a person is the loss felt at his death then, surely, Alfred is irreplaceable.

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AUSTRALIAN ECONOMIC PAPERS

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SUPP.

SUPPLEMENTARY CONFERENCE VOLUME MACROECONOMIC MODELLING IN AUSTRALIA

Macroeconomic Modelling in Australia: Foreword.....	MICHAEL E. BURNS	1
Some Recent Developments in Macroeconomic Modelling in the United Kingdom.....	KENNETH F. WALLIS R. G. GREGORY	7 26
Comment.....	R. SIMES	29
Macroeconomic Model Evaluation, with Special Reference to the NIF88 Model.....	E. SOWREY	57
Comment.....	C. W. MURPHY C. R. MCKENZIE	61 89
Rational Expectations in Financial Markets and the Murphy Model.....	C. R. MCKENZIE	89
Comment.....	PETER B. DIXON and B. R. PARMENTER	92
Recent Developments in Forecasting with the ORANI Model.....	PETER B. DIXON and B. R. PARMENTER RUSSELL J. COOPER	105 105
Comment.....	R. G. TREVOR and S. J. THORP	108
VAR Forecasting Models of the Australian Economy: A Preliminary Analysis.....	D. TERRELL W. J. MCKIBBIN	121 126
Comment.....	V. ARGY	151
Policy Analysis with the MSG2 Model.....	R. SIMES and P. HORN	155
Comment.....	V. HALL	171
Design of the NIF88 Model.....	C. W. MURPHY	175
Comment.....	R. J. BROOKER	200
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