Preface

A reader who has already gone so far as to pick up this volume may be presumed to have some curiosity about its advertised subject. A glance at the table of contents, however, is enough to alert the reader that the book is also a series of intellectual biographies of three professors of economics whose names are most likely unknown to the average reader and perhaps even to many professional economists. This preface is intended to allay the reader's fears that the title is false packaging. The book is indeed about what it says it is about, and the story is indeed told through the biographies of three lives. What then is the link between the two?

As originally conceived, this volume was to be about the development of monetary thought in the United States during the period spanning the intellectual revolution that organized itself around J. M. Keynes' 1936 book, *The General Theory of Employment, Interest, and Money.* It was not to be another book on Keynes, of which there are many and some of very high quality, nor even a book on the American reception of Keynes. Rather I meant to write a book about American monetary thought more generally, taking as my theme the disappearance of a previously rather vigorous monetary discussion at about the time of the Keynesian revolution and the subsequent "rediscovery of money" in the decades after World War II. My interest in understanding this period stemmed from my personal dissatisfaction with the current state of monetary economics, which led me to search the history of economics for alternative roads not taken.

Though unconventional with respect to my tastes in monetary theory, I was at first quite conventional in my conception of the history of economics as simply the history of doctrine. In trying to understand the ideas of dead economists, however, I found it necessary to understand the minds that had produced those ideas and the problems that had spurred those minds into action. As a consequence, rather than surveying the principal professional publications of famous monetary economists, I found myself reading all the publications, and as much of the unpublished writing as I could find, of a select few economists. My subjects' own writing then led me to read also the books and articles that they had admired or detested and to study histories of the economic events they had been trying to understand as contemporaries. Finally, in tracing the intellectual development of each individual mind, I found myself exploring the unfolding of a life and the expression of individual character. In short, I found myself writing biography.

In writing biography, I faced the problem of selection. Whom to choose? It is clear in retrospect that I was fortunate in my conviction that the way to start the story was with Allyn Young. When it came time to choose a second subject, and then a third, I inspected the list of potentials with an eye for continuing the story that Young's life and work had led me to tell. Choosing Alvin Hansen, and then Edward Shaw, I came to see that my story had evolved from one of intellectual discontinuity—the disappearance and rediscovery of money in economic discourse—into one of continuity. It had become the story of the development of a particular strand of American monetary thought, one with peculiarly American origins in the Wisconsin institutionalist school of Richard T. Ely and John R. Commons. As such, it had become the story of the ever anxious relationship between finance and democracy, the story of the evolving tension between the money interest and the public interest in American life.

Having begun by looking for an alternative to modern monetary orthodoxy, I found that alternative not on the fringe but at the very center of the development of American economics. (Richard Ely was, it should be recalled, a founder of the American Economics Association.) Of course what was once central is today fringe, and therein lies another story, the outline of which is sketched in the Conclusion. Suffice it to say for now what the biographical approach makes clear: that economists who came out of the institutionalist tradition had certain conceptions about the nature of their subject, the research methods appropriate to it, and their own role as economists in society. They did not think of themselves as actors on a world-historical stage (like Keynes), nor as geniuses who by the power of pure thought are able to intuit the eternal laws of the universe (as say, Einstein). They were altogether more humble, more life-size, men who sought to understand the drama unfolding around them and to do their bit toward ensuring a more satisfactory social evolution. They were not, perhaps, Great Economists, and therein lies their interest. For budding economists of today, these men provide models of possible lives, just as their works provide models for a possible economics.

In today's world of globally integrated financial markets, the question of the relationship between the money interest and the public interest has become paramount, but economics as a discipline has no answer for the question on everyone's lips. Indeed, economics hardly recognizes the question as falling under its rubric, even as all practicing economists recognize, as citizens, that few questions are more important. Whatever we may teach in our texts, economists know just as well as everybody else that unfettered laissez-faire capitalism is no panacea, and, even more, that it is not even a realistic possibility. What keeps economists silent in the current turmoil is that we also know that market allocation mechanisms are essential to the workings of the complex modern economy and probably also essential to the always perilous maintenance of democratic political forms. The three subjects of this volume knew these truths, and they struggled with the tension between them, but they were not silent. For economists who pick up this volume, its main lesson may therefore be how it is possible to think and speak about what we need to think and speak about. Indeed, the life and work of these three men make clear that this was one of the main lessons they were trying to teach.