

J. Daniel Hammond and Claire H. Hammond, eds., *Making Price Theory: Friedman-Stigler Correspondence, 1945-1957*. (London: Routledge, 2006) pp. xvii, 165, \$120. ISBN 0-415-70078-7.

Back in the mid-to-late 1970s, when I was a graduate student at the University of Chicago, I heard a lecture at Regenstein Library by Gertrude Himmelfarb. She discussed how she had spent a lot of time in various archives in preparing for her well-known and controversial *On Liberty and Liberalism: The Case of John Stuart Mill*. She said that what was surprising in the end was that she would not have had to visit the archives in order to obtain the evidence she needed to make her case. That evidence, it turned out, had been published in the collection of Mill letters that was edited by F.A. Hayek. One lesson might be that a major research library (like Regenstein) contains a lot of good stuff, waiting to be interpreted and synthesized. Another lesson might be that those who reduce the cost of access to the good stuff, probably cannot predict what uses will be made of their efforts.

Scholars owe a debt of gratitude to the Hammonds for reducing our costs of access to some important correspondence between Milton Friedman and George Stigler. The letters here are mainly not of a coherent whole. We have two or three or four letters on one topic. And then two or three or four letters on another topic. And so on. Among the broad issues that are discussed across more than one letter, a few of the most notable examples are: the monopolistic competition theory, Marshallian demand curves, and the editing the joint paper on rent control. Also reducing the coherence of the collection is the frequent impression, even within the letters on a single topic, that part of the conversation has occurred outside the letter (as undoubtedly it had, in conversation, and in letters that were not included, or have not survived).

The Hammond's title for their book, *Making Chicago Price Theory*, indicates their guess about the most important use that scholars will make of these letters. Certainly

many of the letters should prove useful to scholars who are interested in the development of Friedman and Stigler's contributions to price theory. But many of the letters can be useful for deepening our understanding of other broad topics, for example, the evolution of Chicago methodology, the post-war academic job market, and the history of the development of libertarian thought.

More specifically, there is evidence in these letters relevant to many interesting or important research questions. For example:

1. Why did such close friends, and like-minded scholars, only co-author one article together?
2. How did thinking and arguing about methodology, and the history of economic thought, affect the substantive economics of these scholars?
3. Early in their careers, were these Nobel-Prize-winners-to-be universally recognized as first rate economists?
4. What role does self-confidence play in academic achievement?
5. What views did these great economists have of other economists sometimes identified as great?
6. What mistakes do great economists make, and through what process do they change their views?

The editors write (p. 14) that they have located more than 200 letters between Friedman and Stigler, of which they have published seventy-one. (One of these, seventy-one, is a strange brief note (p. 144) signed by both of them, related to the joint purchase of some bonds.) Of the seventy genuine letters between them that are included in the collection, by my count twenty-five are from Friedman to Stigler and forty-five are from Stigler to Friedman. It would have been useful for the editors to help us understand this imbalance. Did they like Stigler's letters better, so they included more of them? Or was Friedman more conscientious at preserving Stigler's letters, so more of them survived? Or did Stigler write more letters?

There is a bit of internal evidence supporting this last possibility. In his letter of January 15, 1950, (p. 118) Friedman writes: "I should also apologize for being such a damn poor correspondent. But writing is such a poor substitute for talking." There is also internal evidence, however, that the book is missing at least one important letter by Friedman. In the spring of 1950, Stigler begins a letter (p. 114) with: "When you write that you are shocked with my treatment of Marshall, I suspect that there will be no meeting of the minds." But, alas, the book does not contain Friedman's letter in which he expresses his "shock." (Does the letter no longer exist, or did the editors have a reason for omitting it?)

Because the Hammonds' collection presents us with many more Stigler letters than Friedman letters, it permits the Stigler scholar to learn a bit more from this collection than the Friedman scholar. More generally, we would like to know more about the more than 129 letters that exist, but that were not published. Were the omitted letters focused on personal issues, and so of no broad interest? Or did they focus on scholarly issues that happened not to interest the editors? Or was their publication restricted by Friedman or by Stigler's son Stephen? (I strongly doubt the latter. Stephen Stigler allowed me unrestricted access to the letters I needed for my own paper on Stigler, and I am aware of scholars who are hostile to the Chicago School, but who likewise have been given similar access.)

It may be useful to mention a few examples of what I found most interesting in the letters selected for inclusion. For example, I find the letters related to the rent control paper controversy fascinating. In 1946 Friedman and Stigler published their only co-authored paper together, cleverly titled: "Roofs or Ceilings? The Current Housing Problem." The paper was commissioned by the Foundation for Economic Education (FEE), which was founded and run by Leonard Read. In the negotiations with Friedman and Stigler, a FEE scholar named Orval Watts played a large part.

The Foundation for Economic Education wanted Friedman and Stigler to remove a passage in which they claimed that it may be morally desirable for the government to take some actions in order to reduce the inequality in a society. Watts argued that such a position was inconsistent with the principles of FEE. Friedman and Stigler were annoyed and unyielding. In one of the most polished letters in the collection, Watts defends the FEE position. (To this reader, Watts comes off fairly well.)

In the end, FEE let the passage stand but added an editor's footnote in which the foundation expressed its reservations about the passage. Friedman and Stigler had no prior knowledge of the footnote, and were outraged by its inclusion. One might speculate that the outrage was overdone, since in time, both Stigler, and especially Friedman, eventually moved more in the direction of the FEE position. One might also speculate about whether the time and effort it took to produce this paper had anything to do with the fact that Friedman and Stigler never again co-authored another paper together? (Probably, it had more to do with a divergence in their fields of specialization.)

Another valuable item in the collection is a stand-alone letter that Stigler wrote (pp. 68-71) to Arthur Burns, who was then the head of the National Bureau of Economic Research (NBER). The letter consists of a wonderful, detailed research proposal advocating a large project to evaluate the accuracy and replicability of research in economics. One wishes the proposal had been carried out, and one wonders what response Arthur Burns gave.

In yet another intriguing letter, this time to Friedman, Stigler asserts for the first time (p. 112) one of his core positions: that an economic theory is only important if the theorist's contemporaries are persuaded of its importance. We unfortunately do not have Friedman's explicit response to this view—but we must assume he rejected it, in light of his continuing to argue that Marshall had a better theory of demand than the theory attributed to him by his contemporaries.

As a final example of what may be found in these letters, I was amused to see Stigler write to Friedman (p. 113) that in teaching Marshall, Stigler was "taking the untenable position that he is perfect at every point, and I'm horrified by how feebly the students attack it." This admission supports my own hypothesis (Diamond 2005, p. 638) that in some of his more controversial papers, Stigler played the devil's advocate in order to clarify and strengthen the case for what he seemed to be attacking. The most notable examples would be Stigler's papers "Do Economists Matter?" and "Does Economics Have a Useful Past?"

Besides collecting the letters themselves, the Hammonds have contributed a fine introduction that directs our attention to some of the more interesting parts of some of the letters, concentrating for the most part on issues in price theory. (Perhaps the introduction would have been even better if the Hammonds had been a bit more detailed in saying how these letters reinforce, contradict, or fill in the gaps of Friedman and Stigler's respective memoirs.)

The Hammonds have also added many notes; here the results are less consistently useful. To understand why, recall Deirdre McCloskey's persuasive argument (pp. 33-34) that writers should adopt a consistent level in their writing—they should identify a person for whom they are writing, and should decide what to include, or omit, based on what that person would want, or need, to know.

Presumably the audience for the Hammonds' book is going to consist of those with a solid background in economics who also have some interest in, and knowledge of, the history of economic thought. So when Stigler or Friedman mention "Samuelson" in their letters, no reader of this book will need to be told that "Samuelson" refers to "Paul A. Samuelson." And yet, a large number of the Hammonds' footnotes are of exactly this sort. Conversely, there are many times in these letters where the target reader will desire some help in fully understanding what she is reading. There are a lot of examples, but I will just mention one.

Stigler writes to Friedman (p. 49) "Chicago is deeply indebted to Schultz, I see." The Hammonds' footnote only tells us that "Schultz" refers to "Theodore W. Schultz." But what we would like to know is *how* Chicago was deeply indebted to Theodore W. Schultz? Was it by bringing to Chicago his integrity, as made famous by his resignation from Iowa State during the famous margarine incident? Or was it by his skills at finding financial support for good academic causes? (Disclaimer: as a graduate student, I received some financial support through a grant that had been obtained by Schultz.) Or was it by his consistently polite and constructive comments on the research of his colleagues? Or by his able chairing of a contentious department? Or was there, as is most likely, some more narrow incident to which Stigler refers?

But my comments here should be kept in perspective. Digging out, cleaning up, ordering, and introducing these letters undoubtedly took a lot of hard effort. It is very easy for a reviewer to snipe from the sidelines and say that someone else (the Hammonds, in this case) should have invested even more effort to provide all the interpretive footnotes that the reviewer desires.

Which leads me to a final comment: there ought to be, and I think there actually is, a better way to reduce the costs of access to these sorts of letters than publishing them in a book. What would be better would be to scan all of the Friedman and Stigler letters, into some sort of *Wikipedia*-like online engine. That way scholars who have the answer to one or another interpretive puzzle, could add their own footnote solving the puzzle.

If I am right, then why do we still publish expensive book editions of letters, rather than put them online? Probably because the hard work of collecting, and cleaning up letters deserves to be rewarded, and we have well-honed mechanisms to reward those involved in book publishing. Maybe what we need to do is figure out ways to similarly reward those who similarly put in hard work, but post their work online?

But having said that, it remains to be remembered that the Hammonds have done us a service, and we owe them our thanks. Near the end of the collection of letters (p. 139) Friedman writes to Stigler: "Every time I get a letter from you, on no matter what, I find myself making the same remark after reading it, namely, "George is wonderful." The main value of these letters lies in what they tell us about the development of economic method and theory and policy. But a secondary value is

that they allow us to experience afresh the character, intelligence, wisdom, and wit of two very wonderful economists.

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