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James E. Meade [Ideological Profiles of the Economics Laureates]

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Abstract

James E. Meade is among the 71 individuals who were awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel between 1969 and 2012. This ideological profile is part of the project called “The Ideological Migration of the Economics Laureates,” which fills the [September 2013 issue of *Econ Journal Watch*](#).

Keywords

Classical liberalism, economists, Nobel Prize in economics, ideology, ideological migration, intellectual biography.

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James E. Meade

by Daniel B. Klein, Ryan Daza, and Hannah Mead

James Meade (1907–1995) was born in the UK. Concerns about unemployment inspired him to study economics (Layard and Weale 1995). He received the Nobel in 1977 with Bertil Ohlin for “pathbreaking contribution to the theory of international trade and international capital movements.”

Meade held basically the same views throughout his adult life, though in the course of his life, or even in the course of a paragraph, the tunes sometimes sound multiple and even conflicting. One might criticize him for the way he uses terms such as “free enterprise” or “free market” when he seems to mean private—and possibly regulated and heavily taxed—enterprise.

While at Oxford, from age 19 to 23, Meade was involved in the Fabian socialist movement (Vines 2007, 7; Layard and Weale 1995), and such views retain a presence throughout the rest of his life. According to Harry Johnson, Meade’s “fundamental motivation is a concern for social justice—he is a ‘price-system socialist’ of the 1930s vintage—hence his persistent concern with the application of theory to problems of economic policy, and also his idealized Fabian-socialist conception of the policy-making process and of the role of the economist in it” (Johnson 1978, 66).

In an autobiographical sketch, Meade (1992/1978) wrote: “Like many of my generation I considered the heavy unemployment in the United Kingdom in the inter-war period as both stupid and wicked. ... In the 1930s one was aware of two great evils—mass unemployment and the threat of war. I thought—and I still think—that the government of the United Kingdom could, in those days, have altered the course of world history by listening to Keynes on employment policy and by backing to the hilt the League of Nations for the preservation of peace.”

Meade was dedicated to finding policy solutions to economic issues. UK economists Richard Layard and Martin Weale remembered Meade for his utilitarianism and interest in “the use of economics as a guide to policy” (Layard and Weale 1995). “Meade was an egalitarian, both in his ideas and in his life. He felt that economics should concern itself not only with the size of the cake but with how unequally the cake was distributed. For the sake of greater equality one should be willing to accept some loss of efficiency” (ibid.).

Meade advocated free trade (Layard and Weale 1995; Peterson 2010). He supported income redistribution (Layard and Weale 1995). He was “a believer” in voluntary eugenics efforts (Backhouse 2012, 68). In 1965 and 1966, Meade co-edited two volumes containing reports of the proceedings of a symposium organized by the Eugenics Society in London (Meade and Parkes 1965; 1966).

Meade was open to changing his policy recommendations to achieve his goals, which in broad form did not change. During World War II, Meade effectively drafted the UK government white paper (Minister of Reconstruction 1944) laying forth a policy of full employment (Vines 2007, 13); when the 1970s brought both high unemployment and high inflation, Meade developed a theory of stabilizing total spending growth to address the issue (Layard and Weale 1995; Peterson 2010). He also changed his proposals of how to achieve optimal wages (Layard and Weale 1995; Arndt 1995).

In the 1940s he wrote in support of price-based planning, saying: “If, however, we wish to combine freedom, efficiency and equity in our economic life, we should proceed to make arrangements to see that these fundamental conditions are satisfied”—namely, stable money supply, equal distribution of money, and fair markets (Vines 2007, 35). Meade followed Keynes, whom, according to David Vines, Meade admired for his “passionate desire to devise a better domestic and international society” (ibid., 34).

In general, Meade believed himself an advocate of private enterprise and of government planning. In 1949 he wrote: “Am I a planner? If a planner necessarily believes in a quantitative programme of output, employment and sales for particular industries, occupation and markets and the exercise of such direct controls by the State as are necessary to carry this out, I am certainly no planner. If a anti-planner necessarily denies that the State should so influence the working of the price mechanism that certain major objectives of full employment, stability, equity, freedom and the like are achieved, then I am a planner” (Meade 1949, v).

In *Planning and the Price Mechanism: The Liberal-Socialist Solution*, Meade advocated his “middle way”: “The thesis of this book is that a large measure of state foresight and intervention is required to guide the economy from war to peace, to prevent inflationary and deflationary pressures, to ensure a tolerably equitable distribution of income and property, and to prevent or to control the anti-social rigging of the market by private interests, but that these objectives can be achieved in an efficient and a free society only if an extensive use is made of the mechanisms of competition, free enterprise and the free market determination of prices and output” (Meade 1949, v-vi, 11).

Meade carried his “liberal-socialist” ideology throughout his professional career, promoting policies that seem to entail both intervention and *laissez-faire*. In 1964, Meade gave lectures outlining the efficiency of prices in competitive markets but was quick to note that he is not advocating *laissez-faire* policies. He says: “My present point is simply that even when the State is doing all that it should to make the system work efficiently, it will still be necessary to use the price mechanism as a guide to efficiency. In a modern complex economy the State must set the background of institutions and policies which will enable the system to harmonize

social and private interests” (Meade 1964, 12-13). Meade offers solutions to the “Brave New Capitalists’ Paradise” through modes of a “Social Ownership of Property” that combines market efficiency with distributional justice (Meade 1964, 34, 66).

In 1975, almost 30 years after writing *Planning and the Price Mechanism*, Meade commented: “Much has happened since then and I have learned much, though my basic economic philosophy remained unchanged” (Meade 1975a, 9). While he changed policy prescriptions, Meade continued to advocate a mixed economy. Again he seems to advocate a system of free enterprise: “A basic reform which the intelligent radical will support is the restoration and development of the free market mechanism wherever possible to ensure workable competitive condition” (ibid., 13). He advocates removing all unnecessary market restrictions, but backs a “superstructure of governmental interventions and controls” that are necessary to “set a background of conditions in which free competition can work effectively” (ibid., 14).

Meade (1975a) felt that “the swing of opinion from nineteenth century doctrines of *laissez faire* has gone so far as to obscure the advantages of a free market mechanism” (16). He ruminates: “Perhaps Plato was correct after all. We need benevolent guardians to tell us what goods to purchase... The intelligent radical recognises this case, but repeats the age-old question: Who will guard the guardians? If one wanders too far down the socialist path freedom disappears, the costs of bureaucratic controls mount, and among the innumerable guardians will be found many fools and knaves. The end result of the authoritarian society is as horrible as the end result of uncontrolled *laissez-faire*. The intelligent radical seeks for some intermediate position in which the maximum possible use is made of the market price mechanism, as the foundation on which a structure of essential social controls is built” (Meade 1975a, 122-123).

Meade sustains his mixture of liberal sentiment and interventionism across four items written for the Institute of Economic Affairs, the classical liberal think tank in London (Meade 1962; 1971; 1975b; 1985). These contributions show Meade’s earnestness in trying to salvage liberal, market-oriented overtones while, in fact, going quite against bona fide classical liberal, free-market principles.³⁹

In 1981, Meade was among the 364 economists who signed a petition against the anti-inflation macroeconomic policy of the Thatcher government (Wood 2006; Booth 2006, 383).

Meade (1989, 1) claimed to have visited an island that made use of middle-way institutions, declaring it “a Good Place” preferable to a nonexistent utopia. His

39. Meade’s IEA papers are summarized in Seldon (1985), which also contains extensive—yet polite—criticism of Meade (1985).

tale of *Agathotopia: The Economics of Partnership* is “Addressed to All Capitalists and Socialists who Seek to Make the Best of Both Worlds” (ibid., iii).

Driven by his ideals, Meade continually sought policies that could make the world better. In Heinz Arndt’s words: “Throughout his long professional career, Meade never lost his passionate interest in the issues that had occupied the Cambridge ‘Circus’—full employment and social welfare and the policies that would promote these objectives” (Arndt 1995, 99).

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Robert C. Merton

by Daniel B. Klein, Ryan Daza, and Hannah Mead

Robert C. Merton (1944–) grew up in Hastings-on-Hudson, New York, where baseball and cars, not school, were his primary interests (Merton 1998). His father, Robert K. Merton, was an eminent sociologist teaching at Columbia University; the younger Merton earned his B.S. there in engineering mathematics. He then moved to the California Institute of Technology for his M.S. in applied mathematics. After his master's, he was drawn to economics. He says he believed macroeconomics had been effective in controlling unemployment and inflation, and he “felt that working in economics could ‘really matter’ and that potentially one could affect millions of people” (Merton 1998). Merton is very reserved in policy discourse and holds a middle ground, recognizing the potential for both market and political failures.

Knowing his mathematical and engineering background would help him in economic analysis, Merton also felt he had strong economic intuition, particularly regarding the stock market (Merton 1998). Merton pursued his Ph.D. at MIT, where he began working with Paul Samuelson, whom he considers his mentor (Merton 2005). After earning his Ph.D. Merton stayed at MIT for nearly two decades before moving to the Harvard Business School.

While at Cal Tech, Merton had learned firsthand about the stock market. “[M]any mornings I would get to a local brokerage house at 6:30 am (9:30 am in New York) for the opening of the stock market, spend a couple of hours watching