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ECON JOURNAL WATCH
Scholarly Comments on
Academic Economics

George J. Stigler [Ideological Profiles of the Economics Laureates]

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Econ Journal Watch 10(3), September 2013: 644-649

Abstract

George J. Stigler 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.

JEL classification

A11, A13, B2, B3

Link to this document

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George J. Stigler

by Daniel B. Klein

The only child of German-speaking immigrants to the United States, George Stigler (1911–1991) grew up in the Seattle area and attended the University of Washington, graduating in 1931. He went to Northwestern for his MBA, and then to the University of Chicago for his Ph.D. in economics, conferred in 1938. In his Nobel autobiography he described the professors and fellow students who influenced him during his graduate studies at Chicago:

The University of Chicago then had three economists—each remarkable in his own way—under whose influence I came. Frank H. Knight was a powerful, sceptical philosopher, at that time vigorously debating Austrian capital theory but gradually losing interest in the details of economic theory. Jacob Viner was the logical disciplinarian, and equally the omniscient student of the history of economics. Henry Simons was the passionate spokesman for a rational, decentralized organization of the economy. I was equally influenced by two fellow students, W. Allen Wallis and Milton Friedman. (Stigler 1983a)

In another autobiographical essay, besides his close friends Wallis and Friedman, Stigler mentions also Paul Samuelson, Kenneth Boulding, and Sune Carlson as fellow students, and writes: “The give-and-take among us students...was the first experience I had of constant exchanges in a circle of first-class minds, and I acquired a lifelong taste for it” (Stigler 1995, 99).

Beginning in 1936, Stigler taught at Iowa, Minnesota (there overlapping for one year with Friedman), Brown, and Columbia. Stigler then returned to teach at Chicago in 1958 and remained there. In 1982 he received the Nobel Prize in

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Economic Science chiefly for his work on the economics of information and on the economics of regulation.

After Stigler's death in 1991, a number of colleagues wrote memorials. Milton Friedman says that he and Stigler shared similar views on policy, but he remarks on a difference in attitude:

Though George and I agreed almost completely about appropriate public policy, he was never as active in the public policy area as I was. His empirical studies of industrial organization persuaded him that the political market, like the economic market, is ruled far more by self-interest than by any disinterested pursuit of the "public interest," and thereby led him to be one of the pioneers in what came to be called "public choice" economics. Accordingly, he became skeptical that appeals to the perverse effect of government policies on the public interest would be effective. "Until the basic logic of political life is developed," he wrote, "reformers will be ill equipped to use the state for their reforms, and victims of the progressive use of the state's support of special groups will be helpless to protect themselves." Though I fully agreed with his public choice approach, he and I had a running argument about the meaning and role of ideology and about the effectiveness of seeking to inform the public about where its "true" interest lay. ... [T]hough I believe we clarified our disagreement over time, we never resolved it. "Milton," he was fond of saying, "wants to change the world; I only want to understand it." (Friedman 1993, 772)

Stigler (1962a) saw intellectuals as tending to be hostile to market-oriented behavior:

The intellectual has never felt kindly toward the market place; to him it has always been a place of vulgar men and of base motives. ... [W]hatever the latent sympathies of the intellectual for the market place, the hostilities are overt. The contempt for the "profit motive" which directs economic activity is widespread, and the suspicion of the behavior to which it leads is deep-seated. The charge that American society is materialistic has been recited more often than the Declaration of Independence, and has been translated into more foreign languages. (Stigler 1962a)

In the opening pages of his memoirs, Stigler (1988, 4) says, "economists have been the premier 'pourers of cold water' on proposals for social improvement, to the despair of the reformers and philanthropists who support these proposals."

The story of Stigler's ideological character is, in one sense, fairly clear. In terms of what policies he was inclined to favor, the story seems to be this: From graduate school, influenced by the professors and fellow students mentioned above, particularly Knight, he is generally pro-market and quite skeptical about government activism. Those tendencies probably became more definite and more consistent over the years that Stigler and Friedman ripened; it is not unreasonable to think that Friedman's development in the 1940s and 1950s, leading into *Capitalism and Freedom* (Friedman 1962) and then beyond, led what was something of a common development among his associates. Stigler wrote: "Friedman has surely exercised one of the major intellectual influences upon me throughout my life" (Stigler 1995, 99). But in the development, Stigler is a fellow, not a follower.

In the 1960s and 1970s some of Stigler's contributions became cutting edges of the growing movement of anti-government economics. His work on information (Stigler 1961; 1962b) helped to weaken a widespread hostility to advertising (Stigler 1984; 1995, 109). More importantly, his work on the consequences of regulation (Stigler and Friedland 1962; Stigler 1963)—that it doesn't necessarily have the consequences supposedly intended—and then his theory of regulation and politics (Stigler 1971)—that selfish interests knowingly drive the process and typically prevail over the common good, so forget about how people represent their intentions—emboldened classical liberalism's offensive against the governmentalization of social affairs. In only one area of policy, it seems, namely, antitrust, did Stigler undergo a definite change of view, growing more classical liberal on the issue. So, overall, from a simple standpoint of policy views, Stigler's story is fairly clear and fairly simple.

At a deeper level, however, Stigler's ideological story is more complicated. David M. Levy (a student of Stigler's) and Sandra Peart are the authors of the entry on Stigler in *The New Palgrave Dictionary of Economics*. Levy and Peart (2008) frame their treatment in terms of Stigler undergoing a "change of attitude" between "his Knightian and his Mandevillean periods." They suggest that the Knightian period is represented particularly by an early *American Economic Review* article (Stigler 1943) and by *The Theory of Price* (Stigler 1946a).⁷⁵ Levy and Peart say the Mandevillean period is first marked by Stigler's adding a quotation from the "penetrating" Bernard Mandeville in the 1966 edition of *The Theory of Price* (1966, 68), and that Stigler's Mandevillean tendencies only grow thereafter. Stigler (1982, 13, 14) himself spoke of his having "erred," of the "error of my ways," with respect to things he said in the presidential American Economic Association address given in 1964 (Stigler 1965).

75. To these representations of the "Knightian period" might be added Stigler 1948 and, as throwbacks, Stigler 1983b and Raisian and Stigler 1988.

This Mandevillean pall, as instantiated in—and, indeed, propounded in—Stigler’s writings, has several interrelated facets. One could make the case, I think, that the pall that came over Stigler was unhealthy, even a move that goes away from classical liberalism. In the present profile, however, I stick to the simpler, policy-views dimension, except for noting one facet of the deeper Mandevillean pall, namely Stigler’s remarks about the meaning of liberty.

Thomas Hazlett (in Stigler 1984) reports that in the late 1940s, as a young visiting lecturer at Columbia, Stigler showed an early bent toward free-market policies: “In [his] first address, Stigler detailed the counterproductive consequences of rent controls. He then exposed how minimum-wage laws create unemployment and discriminate against low-wage workers.” Stigler (1946b) criticized the minimum wage, and suggested a negative income tax (see on this Levy and Peart 2008). In 1946 Friedman and Stigler published a piece against rent-control called “Roofs or Ceilings? The Current Housing Problem” (Friedman and Stigler 1946).

Stigler remained throughout his career a premier Chicago school skeptic of government activism. He was president of the Mont Pelerin Society from 1976 to 1978. In 1988 John Raisian and Stigler published a straightforward op-ed against the minimum wage in the *New York Times* (Raisian and Stigler 1988)—pitting the Nobelist Stigler against the Nobelist Lawrence Klein, who had led a petition of 54 economists in favor of raising the minimum wage (Skidmore 1988). In an interview published in 1984, Thomas Hazlett asked Stigler, “What government program would you most want to see abolished?” Stigler begins his response by saying, “There’s a long list of them” (Stigler 1984; for another interview, see Stigler 1989).

The one policy issue on which Stigler clearly changed his mind is antitrust. “Until the 1950s I accepted the prevailing view of my profession that monopoly was widespread.... Some of the flavor of my views at the time can be gained from one of my few appearances before a congressional committee” (Stigler 1988, 97). Stigler then quotes from hearings held in 1950, including his statement, “it is my belief—speaking as an economist and not as a lawyer—that the basic trouble with the anti-trust laws...is their failure to recognize that when an industry is made up of, or dominated by, a few big firms, there is inherently a structure inconsistent with efficient competitive operation” (quoted in Stigler 1988, 98-99). In the then-present 1988, he then continues: “I now marvel at my confidence at that time in discussing the proper way to run a steel company.... What is still more embarrassing is that I no longer believe the economics I was preaching” (ibid., 99). Stigler then discusses the change of thinking occurring at Chicago during the 1950s and 1960s, pointing especially to Aaron Director and mentioning research by John McGee, Sam Peltzman, Harold Demsetz, and Lester Telser (ibid., 103; see also Kitch 1983, 209). Stigler proceeds to mention that in 1982 he had opportunity to appear as expert witness in the case of “the attempt by Mobil to take over (buy

out) Marathon Oil Company,” reporting that: “The judge ruled against Mobil (and me!)” (Stigler 1988, 104, 106).

Stigler, however, apparently never took a fully free-market line against antitrust. In the 1984 interview by Hazlett, Stigler said “I’ve learned,” and that he did not like the Clayton Act and would like to see the Federal Trade Commission abolished, but he said he still liked the Sherman Act (Stigler 1984). Whether one should regard the treatment of the issue of antitrust in his memoirs, published four years later, as evidence of further movement is uncertain.

In 1978 Stigler published a short article called “Wealth, and Possibly Liberty,” in which he says: “A wider domain of choice is another way of saying that a person has more freedom or liberty” (Stigler 1978, 214). He says: “The distinction between wealth and liberty is not easily drawn” and that “[t]he purpose of the distinction between wealth and liberty is also elusive” (ibid., 215-216). The drift of the piece is to sniff at talk of liberty. Meanwhile, within the piece, Stigler himself depends on the very distinction he is questioning, when he speaks of “voluntary transactions,” “coercion,” and of one being “free to enter” and “free to choose” (ibid., 213, 214).

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