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Jan Tinbergen [Ideological Profiles of the Economics Laureates]

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Abstract

Jan Tinbergen 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

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Jan Tinbergen

by Daniel B. Klein and Ryan Daza

Born in the Netherlands, Jan Tinbergen (1903–1994) became involved early with social-democratic movements. Tinbergen became a member of the Social Democratic Workers Party (SDAP) in 1922, and he was active in the League of Social-Democratic Student Clubs (SDSC), founding a department of the SDSC in Leiden (Boumans 2003). As he moved into economic modeling, the motivation toward equality stayed with him. In an interview later in life, he said that he had great sympathy for the underdog and continued to advocate “democratic socialism” (Tinbergen 1992, 277; see also Tinbergen and Fischer 1987; Terhal 1988, 264).

After graduating in 1929 with a doctorate in Physics from Leyden University, Tinbergen worked studying business cycles for the Dutch Central Bureau of Statistics. He remained there for 16 years, with a two-year stint at the League of Nations from 1936–38. Tinbergen went on to become director of the Netherlands Central Planning Bureau from 1945 to 1955 (Lindbeck 1992). A trip to India in 1951 impressed Tinbergen with the need for research in economic development

(Boumans 2003). From 1966 to 1975, he was chairman of the United Nations Committee on Development Planning (Beaud and Dostaler 1997, 425).

Tinbergen's major contribution to economics was in macroeconomic modeling. Tinbergen experimented with elaborate models, such as a model of American investment and business cycles (Tinbergen 1939) that incorporated some 70 variables and 50 equations (Friedman 1940, 657). Working to develop a more statistical basis for Keynesian ideas, Tinbergen in 1936 developed a proto-Phillips Curve (Bacon 1973).

Tinbergen's early work reflected his views on liberal economic policy: "In its most specific and most relevant sense the notion of economic policy will, however, refer to governments. ... Whereas in the nineteenth century governmental behavior was perhaps almost restricted to fiscal activity, since then the development has ever been more into the direction of an attempt at looking after the '*general interest*', in whatever sense that may be taken" (Tinbergen 1952, 1). He continued by comparing liberal and Marxist economics, and dismissing both:

Some schools of thought on economic policy believe that an optimum policy is guaranteed by a qualitative choice only. One example [is]... the Manchester school of liberal economic policy; their choice being that of "laissez faire." They believe they could prove that the maximum of general well-being would be automatically obtained by complete freedom of economic activity. Another example of a certain a-priori belief of this type is the extreme socialist opinion that only state ownership can be a guarantee for the maximum of general well-being. This example is, however, only a partial one, since policy would, the state ownership once established, involve a large number of quantitative decisions to be taken in consequence. Both these cases are examples of an "*aprioristic policy*", based on theories rather than on empirical research. (Tinbergen 1952, 1-3)

In the 1960s, Tinbergen continued his dismissal of liberal economic policy while promoting a centrally planned macroeconomy:

Long ago, when the word planning had not yet been invented, the elements of planned policy just enumerated were not wholly absent. Thus, even if no formal forecasts were made, policy makers had some ideas on what the future course of events might be. In many cases they may have used, consciously or unconsciously, what we now call one of the "naïve" methods of forecasting—for instance, by simple extrapolation of recent movements or by assuming no movement at

all. As is well known, cyclical downturns were not foreseen, leading to overproduction or, once they had occurred, to overpessimistic views on future development.

The formulation of aims of policy became more necessary after the belief in *laissez faire* was given up. Before that time there was no need for planning, since it was believed that free economic forces would lead to the best development conceivable. When this belief died it became necessary to formulate norms for optimum development. One of the current difficulties is that among many politicians, probably as a consequence of our education system, a preference exists for thinking in qualitative terms only. But an economic policy must be based on quantitative as well as qualitative formulations. (Tinbergen 1964, 43)

By 1966, Tinbergen's views on central planning further developed into world planning:

We can say that we have some beginnings already of such world planning and I would like to start with the treatment of my subject by just reminding you of what beginnings we, in fact, have. Of course, there are a whole set of international organizations, mainly the members of the United Nations family, but also others that do engage already in some economic planning. Once when, as I hope, the international political structure will become stronger, that planning will be the basis for a really international economic policy. ... All the [policy] measures I am quoting are in fact measures that have to be taken at the world level. It is, of course, conceivable that they be taken by some sort of agreement between autonomous countries but it would be much more efficient if they could be taken by something comparable to a World Government. ... I think the general interest does require that we have a strong Centre with a strong policy. (Tinbergen 1966, 70-71)

His views on liberal economic policies remained the same: "As a rule, today we would aim at reducing the inequalities between...regions. Formerly, in the time of *laissez-faire*, we did not care much about this" (Tinbergen 1966, 7).

In 1967 Tinbergen wrote a book for use in "universities as well as for some of the planning experts in governments," and he continued the condemnation of liberal economic policy:

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Policy-makers' social welfare functions are often influenced by some *general theories* or "*principles*" concerning economic policy, these tending to summarize experience with, or scientific insight into, this complicated matter, and more or less streamlining it. Liberal politicians, for example, tend to emphasize the importance of economic freedom of the individual, since they think they can rely on a number of self-adjusting forces in the economy for letting it adapt itself to changes and blindly find its optimum state. (Tinbergen 1967, 12)

The aims of economic policy have changed a good deal in the course of history. This has probably been partly due to changes in individual aims generally, but fluctuations in economic convictions have been more important. In particular, the belief that the economic mechanism might have sufficient inherent forces of self-regulation did, in the nineteenth century, exert considerable influence on public opinion. To the extent that this belief is still correct, economic policy may be one of abstention. Liberal politicians, on the basis of the liberal school of economic science, held this belief very strongly and consequently reduced the range of economic policy. (Tinbergen 1967, 15)

One of the further limitations to the relevance of the central proposition of free-enterprise economics is caused by the *static* character of the assumptions from which it is derived. No account is taken of the difficulties that may arise from the process of adaptation, for this necessarily requires a dynamic analysis. (Tinbergen 1967, 35)

Certain philosophers have advocated complete freedom as the governing principle of economic policy. Complete freedom has hardly ever existed in any regular society worthy of study. But it has been approached from time to time, and in widely varying degrees, either in small communities formed haphazardly, or in certain economies particularly devoted to the idea of freedom. . . . Briefly stated, complete freedom tends to resemble the state of affairs in the jungle and, as far as we know, in certain animal communities, where the strong and brutal rule. (Tinbergen 1967, 211)

Tinbergen concluded: "It is his [the author's] belief that some of the reforms listed should rank high in economic policy programs, and should be pursued with more energy than is the case at present. These are international integration, the international transfer of incomes, the introduction of built-in stabilizers and the raw material standard in the international field, and the application of family

planning, of industrial democracy and the equalization of opportunities, in the national field” (Tinbergen 1967, 208).

On the global level, Tinbergen prescribed a mix of free trade and protectionism: “The oversimplified theories of international trade even tell us that simultaneously the wellbeing of all countries of the world will be maximized by the abolition of all obstacles to trade. Such a statement goes too far; on the one hand, some protection of infant industries in young countries is generally recognized to be desirable. On the other hand, the theory of the optimum tariff tells us that maximum wellbeing for a country having a very large share in world trade may be obtained by imposing that tariff, to the detriment of the rest of the world” (Tinbergen 1970, 6). Tinbergen then proposed that multinational enterprises seek out the “optimal international division of labor.” To check possible abuses by large corporate business, Tinbergen required “supervision of multinational enterprises by supranational bodies, such as the United Nations” (Tinbergen 1970, 8).

At a United Nations Institute for Training and Research lecture in 1971, Tinbergen stated: “After the practical experience of the highly unequal income distribution in a completely free society the necessity of institutions performing income redistribution became evident. The discovery of the manifold external effects of a number of activities has gradually made it clear why ‘the state’ must be among the institutions of an optimal order. A long list of activities can be given which cannot be left to free enterprise: the provision of security, of sound money, of a sufficient level of total demand and of total savings, the regulation of unstable markets, education, the maintenance of the road system and so on” (Tinbergen 1971, 8).

In 1975, Tinbergen wrote a chapter on the problem of defining justice and equity: “The present attitude of agnosticism vis-à-vis a definition of equity or justice which is also preferred by most economists was preceded by a period in which many economists whom we in Europe call liberalist—or Manchester liberals—did have a definition of justice. Justice was considered to consist of the equality between an individual’s *income received* from society and his *contribution* to society by making available part of the production factors he owned. The definition is typically individualistic in that it deals with the relationships of each individual to society as an abstract entity and does not compare individuals to each other.” Tinbergen delivered his view: “In increasing numbers members of our society are doubting this interpretation of what we feel when we speak about justice or equity. ... Our positive suggestion consists of adhering to the definition that equity stands for *equal welfare for all individuals*” (Tinbergen 1975, 129-130).

In the same book, Tinbergen continued to discredit modern liberalism on a moral level and espouse government intervention: “We will define as income distribution policies all intervention into the process of income formation with the

general objective of changing income distribution. ... [The advantages of indirect policies, which have an impact behind the market] is that they do not disrupt but rather shift the equilibrium. ... In one way or another income distribution policies are meant to change the free market order or *laissez-faire*, exactly because the outcome of such a completely free system is considered to be ethically unacceptable. This they have in common with a long list of modern public interferences, from prohibition of child labour to imposition of ecological standards” (Tinbergen 1975, 137).

By 1985, Tinbergen turned to academic Marxism to discuss “the deeper aims of a socialist order”: “Marx explicitly claimed that we should aim at *scientific* socialism; and science is a continuing process of *posing questions*, and trying to answer them, testing the answers by *empirical research* and then posing *new questions*. ... In other words, a truly Marxian attitude is to join the process of *scientific research*, using all new evidence available, to develop new insights” (Tinbergen 1985, 175).

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James Tobin

by Daniel B. Klein and Ryan Daza

James Tobin (1918–2002) was one of the generation of economists influenced by growing up during the Great Depression. Tobin says his interest in macroeconomic problems came from his mother, a social worker dealing with the unemployed, and his father, who was intellectual and a “liberal on his own” (Tobin 1999b, 868). Tobin seems to have been fairly constant in his view, favoring private markets subjected to regulation and Keynesian management (Krugman 2002).

Tobin (1999b, 870-871) highlights Keynes’s influence during his youth: “Keynes was fascinating because it looked like he had a fruitful new way of going about economics. To me, it looked like fun. And then on the other hand this was also a revolt. I think revolts against old established wisdom are exciting to young people. It was exciting to me even though I had not been really taught the old economics enough to know what Keynes was revolting against. ... Keynes was a keen observer of the real world. It had the ring of truth to my ears back then.”

Tobin went to Harvard University for undergraduate and graduate work. In college, Tobin was a New Dealer (Tobin 1986, 118) and recalls that Franklin D. Roosevelt was his political hero (Tobin 1996, 661). In his Nobel autobiographical notes, Tobin wrote: “The miserable failures of capitalist economies in the Great Depression were root causes of worldwide social and political disasters” (Tobin 1982a).