

An Insider's View: A Conversation with Claire Friedland

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No man is a hero to his valet – Montaigne

It is only fair to start off by making my own prejudice clear. I found Claire Friedland to be one of the most charming people I have come across. While getting to know her, it becomes obvious how she managed to collaborate with George Stigler as his research assistant for so many years. (She became George Stigler's research assistant in February 1959 and continued in that position until his death in December 1991.) My opinion of Stigler as a person would have plummeted had his relation with Claire Friedland been anything else but fruitful.

My initial contact came before I even arrived in Chicago. Still in Australia, I was teaching myself how to seem sufficiently plausible when setting up interviews with some very well known economists. To say that Claire was helpful would be an unfortunate understatement. She bent over backwards, supplying me with a catalogue of the Stigler archives plus other information that would prove to be quite useful. Then, on arriving in Chicago in October 1997 she offered to have dinner with me prior to my arranged interview with her. It was over a rather leisurely dinner that she conveyed just how inherently conservative George Stigler had been. In her words, he had been the very last person in Chicago during the sixties still wearing a fedora.¹

My purported interviews were closer to conversations than standard question and answer sessions. But talking to Claire was as close to an intimate chat with an old friend as I achieved. The taping lasted a good two hours and was filled with hoots of laughter on both our parts. Only mutual exhaustion stopped it from going on longer.

Many of those I talked to had mentioned that I must ask Claire about this or that idea or detail. She would be the one person that would know. And this proved to be correct. As you will see her modesty (a rare trait in an economist of any type) fails to completely hide a very sharp and incisive mind. The partnership she had shared with George Stigler had been a close working relationship and Stigler had perhaps unbent to her more than to his other colleagues. What follows is not of course a wife's perspective, but the thoughts of a keen observer and long time partner.

The Interview

Let's go back to the beginnings. What first brought you back after Chicago?

I was a graduate student at Brown. This was not long after the Second World War in 1951. The Economics Department at Brown was really tiny.² It hadn't been built back up to strength. And you really couldn't get a PhD at Brown. Not go straight through from a Masters to a PhD at Brown because it was just too little. I'd taken all the

courses they had to offer my first year and then what was I going to do? It was a lovely place, with the loveliest people and I really liked it. I loved New England. It was all so historical. Anyway, one of my professors was George Borts. He was the editor of the *AER* for just years and years.³

Yes.

He was a very lovely guy. He was only a few years older than I was. We still keep in touch with one another. He said I should go somewhere else to finish my degree. And he knew a lot of people in Chicago because he had been a graduate student there. I guess he wrote some letters for me, I can't remember. I know he wrote to Gale Johnson who actually gave me a job, because I couldn't go to Chicago unless I had a scholarship and a job. So I came here with a research assistantship in, of all things, agricultural economics. I mean, I was a New Yorker and twenty-three years old. I had never seen an ear of field corn. Now no one will believe this, but we were working on the relative output of field versus sweet corn. We were testing some hypothesis he had about forward prices in agriculture. Lovely man, Gale Johnson, he is going to be President of the American Economics Association next year. However, I had to admit to him that I thought that cows ate the same sweet corn that we ate: that they boiled it, buttered it, salted it and went like this - I wish you guys had a camera - and I didn't know there was such a thing as field corn. Not only that, he asked me something about the stocks, that we had to have data on stocks. But because he spoke with an Iowa accent, although he was saying 'stocks' that's STOCKS, I thought he was saying STALKS. Now I *knew* corn grew on stalks, but what could I possibly collect in the way of data? I mean it was a nightmare. This was forty something years ago and Gale Johnson was a little more of an Iowan then than he is now. These days he's been to Russia, China and he is a much different, more cosmopolitan person than he was then. In any case, I had a really nice research assistantship at Chicago. I *absolutely* think that I had no idea what I was doing. But that's the story of my life.

Did you have any idea about ...

I had no idea that Chicago stood for something. No, I really think I didn't. I think I had the impression that this was the best Economics Department, and that's why George Borts was sending me there. He thought I'd get a really great education, but I don't think I knew that it stood for free markets and that I'd have to *think* about whether *I* stood for free markets. Which at that time, I didn't. But I learned very fast, as everybody who comes to Chicago does. I mean, nobody comes here a socialist and leaves here a socialist unless he has been living in a very private world. Of course, now the world has changed and the only Marxists left in the world are in New York City, I think. No, I know there are a lot of Marxists and if I say anything against Marxists please correct me. If you're a Marxist,⁴ then I don't want to hurt your feelings. But in those days there were plenty of socialists hanging around. However, by the time they had spent a year at Chicago, they had changed. I had changed, though maybe more gradually. I don't know. First of all, for entirely intellectual reasons, but secondly when I started to work for George, I saw that data. As I said when we talked the other night, George was very empirically oriented. Did you bring up Chamberlin and Robinson last night?⁵ Maybe I brought it up. Anyway, very often George, when he wanted to decide how he felt about something, would ask himself not whether this stands up as a theory, as an intellectual exercise, but whether it had some applicability that moved the profession on, in a useful way. It had to be *useful*.

And I don't mean useful in terms of government programs. I mean useful in terms of, I don't even know how to explain it. Read George's stuff and you'll see for yourself.

Advancing knowledge.

It had to do with a theory being productive. Productive of useful predictions, of certain facts, which when you examine the data are confirmed. I never use words like 'proven'. I want you to know that. Maybe you do, but I don't.

I'm sure you wouldn't.

I'll tell you a funny story about that later. But it was also a question of whether the profession built on it. He identified very much with the profession. He cared whether the profession moved ahead. So much of his work dealt with issues concerning the profession. If you look at my catalogue of his papers, you'll see what I mean. There are a lot of categories under the heading 'Professionalism'.⁶ He cared about the profession. He identified with it. He identified with the University of Chicago. He cared about this. Not just about his own progress. If it was good for the Economics Department, he approved. If the Department was in danger of losing somebody, whom he felt would be a loss, he cared and he worked on it. He really had this funny identification, you see. What do I care if the Department moves ahead? I only care if Claire Friedland moves ahead. But George really cared. And he cared about the profession in the same way.

What he thought about monopolist competition, *aside* from its being inconsistent with neo-classical economics, was that it wasn't productive. He felt very much the same way about game theory. He didn't question it as a theory. How can you question it? There is nothing to question. Strategies are all very fascinating. If they do this, I'll do that and if they do that, I'll do this. How can you argue with it? It is purely theoretical. But George didn't see it as moving the profession along. It didn't seem to have any practical applicability. There wasn't much possible in the way of testing the theory. Maybe some people *did* feel that they were testing it. But there was nothing that he was impressed with. That's how he felt about extremely mathematical stuff too. But now I've gotten off the topic and I've gotten off of George.

That's perfectly okay. Actually, I'm interested in what you were saying. What sort of test, or evidence, was convincing to him?

Well, I don't know. You look at his work and you'll see.⁷ Very often I felt that we accepted what I considered to be not entirely conclusive. I never use words like 'true'. I might use words like 'support', but I usually use words like 'don't contradict'. That's about all you could do in many cases. But, you know, there were a lot of cases where George would stick his neck out and test some things that most people thought were pretty untestable. We were illustrating the testability of an idea, not doing anything conclusive. For instance, he wanted to test the effect of anti-trust laws. So he compared the growth of industry concentration in the US versus the UK. There's a 1966 article by Stigler in which we do this with great empirical difficulty.⁸ I had to examine the most incredible number of industries from 1900 to the present. Try to collect long time series pre the internet, starting in 1900 on market shares for steel, tires and cars. And when we got all that what did we have? We had measures of concentration and the effects of mergers in the UK and the US over some long periods of time. Are they comparable? So many other things are different between the US and the UK. What then does it mean when you compare them, when you make any international comparisons? Or compare New Jersey with California. But he was

trying. It was evidence. As I said the other day, he built up evidence and other people contributed their evidence and when you have a *mountain* of evidence you have more confidence in a theory. And if you don't have a mountain, forget about any conclusive test. George was adding something to that pile (or starting a new one). I certainly think we tried awfully hard to do a good job.

Sure.

To collect data and figure out what was happening when we didn't have the exact data that we wanted. But, it's fair to say that it was a very difficult problem, to examine a policy like anti-trust at that time. But you do the best you can. George would never just write an article in which he said, "Yes anti-trust laws were mistaken, and a lot of the policies that they forbid were really efficient." This is only the result due to a good deal of work that has been done in Law and Economics over the last fifty years, since the time of Henry Simons and especially due to the analysis promoted by Aaron Director. George would never say a thing like that about anti-trust laws without attempting an empirical test, because anybody can have a theory. George said, in his 1964 Presidential Address, that you can find a theory to support any policy but the question is, 'What is the evidence?'⁹ So I think of George as very, very empirically oriented. If he didn't like something, like monopolist competition and game theory, it was because he felt that empirically they didn't hold up. He also felt that intellectually they didn't hold up. But I think the empirical side of it was very strong. And not just empirical research, examining evidence, but whether it moved the profession ahead by providing useful concepts to the profession. Were economists constantly writing about these theories? He asked this about the work being done on information. What was the result? We looked at the citation indexes to see how many people were writing their information. When we wanted to know the effect of Gary Becker's work, we looked at the citation indexes to see how many people were writing on the economics of the family. Was the profession building on this? Was it a useful concept? So we did essentially two different types of empirical research. We did this (examined citations) for the article "Law or Economics", in the *Journal of Law and Economics*.¹⁰ We wanted to see how much was being written on the Coase Theorem. In the same way we tracked down how much people were writing on monopoly. We ended up doing quite a lot of citation analysis. In fact, we did citation analysis, *I think*, before anybody else did it.

Yes.

We did it in two of our 1970s articles because there were citation indexes just being published.¹¹ They didn't cover a very broad cross-section of articles 'til later. Nor did they go back in time. Those early years were very frustrating. Now I think you can go back to the 40s and 50s, though I'm not sure. But you certainly *couldn't* at the beginning. So we actually went to the articles and looked at the references, which took an *enormous* amount of hard work. You see citation analysis again is asking, "How much does the profession build upon some theory?" Is it useful in a professional way? That's why George was a pioneer of citation analysis. I never heard anybody else point this out, and maybe other people did it first. It's possible. But we certainly were very early in doing that sort of thing. There's no question about that. Now, everybody is doing it. The citations are now all on compact disc, so our troubles are over.

But back then, we had to dig around in articles like the ones by Joe Spengler. I was trying to remember the name of that guy with some 60 or 70 references. It was Joseph Spengler. We had to dig around to check all those 60 or 70 people he cited. [laughs]

That's brutal.

Terrible. The things we did were all terrible. And whether or not we made many mistakes ... but anyhow ... I was telling you about myself. Where was I? I went to work for George. Oh, this is funny. I'll just tell you one funny story and then I'll try to stick to the subject. [laughs]

No. Stick to the funny stories.

After a while I realized that I was never going to get a PhD. I got a Masters degree instead and stuck around in the Department for another couple of years before I came to the realization that I wasn't going to finish. This was about 1957. I was working part-time for Gary Becker. I realized I had to go out there in the world to get a job. So I talked to Gary. Gary was always a good friend of mine. We went to school together, He happened to be spending one day a week at the Federal Reserve in Chicago and he got me a job. It was a perfectly lovely job. I wasn't learning anything in particular, but I was perfectly happy there. George in '58 had just come to Chicago from Columbia. I had an imaginary conversation in my mind later on, and it was between George and Milton. George got my name from Milton. But he never told me anything about this conversation that I imagined. I imagined George, who was very old fashioned as I said the other day, saying to Milton, "Do you know a girl..." I know he would have said 'girl' ... "Do you know a girl who would work for me full-time?" He had an enormous grant at that time. And his salary was maybe \$25,000 in 1958 dollars. That was what I think he was making per year.

A fortune.

It was one of the biggest salaries in economics. And he had a grant for a full-time research assistant! So, he asked Milton whether he knew anybody. And Milton said, "You know, there is a girl who used to be here. She didn't finish her degree, went to the Federal Reserve Bank instead. You might be able to get her back." And he gave George my name. Now the funny thing is that though this conversation was imaginary, George's son Steve found among George's papers, a little piece of paper on which was written my name, spelled wrong, which is perfectly understandable, and then he had written down the phone number of the Federal Reserve Bank. Those were the notes he took of his conversation with Milton, the one that I had imagined. I still don't know if he said 'girl'. Anyhow, he then called me up and I had this wonderful idea that I would work for George, George was already quite famous of course, and have this famous economist's name on my résumé.

Correct.

And I'd do that for two or three years and then I could get a *really good job*. I wouldn't just be someone's research assistant. I started in February of '59 and when George died in December '91, almost thirty-three years later, I was still working for him. As I said the other day, that résumé was never typed. I never looked for another job. Occasionally I would get restless and look around when I was working for George. But by the time those thirty-three years had gone by I was 62 years old and I retired. [laughs] I had had an absolutely marvelous job. Not that we didn't fight. We did fight. We had very badly conflicting attitudes towards a lot of things and George was a very *impatient* man. He was on the whole wonderful, to me, but he was

impatient. We argued a lot. But we had a wonderful time. I had this wonderful intellectual experience. I learned so much from him. And we had fun. We joked around. We wrote each other every summer when he was in Canada. We had a punning contest, an undeclared contest, but after I wrote him a few puns, he wrote me a few puns and from then on, for thirty-three years we wrote each other puns. I wish I had all those puns. I never wrote him a letter without a pun. If the chief topic of the letter was Wassily Leontief, you could be pretty sure that there was a pun on Wassily's name like 'Vas silly of me'. Whatever the topic of the letter was, that became the subject of our puns. He was really a great man. It was like having a private tutor. He thought out loud. He came to see me and told me what he was thinking, like when he was starting some new topic and I had to read up about it. And when you have some really incredibly creative person like George talking to you that way for thirty-three years, you really learn by it.

I mean, just in terms of my mind expanding. I don't think I learned a lot of economics, because, unfortunately, I was never one on reading the literature. I read the literature in what we were working on and I did a lot of background reading when we changed the topic. To get, you know, smart about that new topic. But I did not keep up with the literature in general. And I am really ignorant now. But, it wouldn't matter because I forgot it and then they changed it anyway, especially macroeconomics. I'm glad I didn't spend time reading that because they changed that about 25 times. Do you know what they taught me when I was a student here, in the way of macroeconomics? I'm not talking about Milton Friedman, Milton has never changed.

No.

Milton taught monetary theory then, the same way I'm sure he would now, if he were teaching now. But the rest of macroeconomics, you would never believe what we were doing. In spite of the fact that Chicago is believed to have rejected Keynes, we were learning Keynes, because that was the received wisdom. You had to know it in 1953. And we learned all those four little diagrams. Each one had to be connected to other. And then there was Don Patinkin and after Patinkin somebody else and after that somebody else and each one completely changed the previous approach.

I know.

Have I gotten you up to date now?

Yes. You have, wonderfully. No, I don't think you haven't missed anything by not keeping up with macro whatsoever.

No, I didn't and then if you look at my catalogue of the Stigler papers you will see that the number of papers on macro is four or five, practically nothing. In fact there may be only one or two if you only count the ones that George sort of spontaneously decided to work on. Because the two or three papers in there are usually because somebody asked him to come to a conference on interest rates, you know, something like that, or international trade¹². I threw together macro and international because there was practically nothing on the topic. I mean, he was *really* a microeconomist.

Did he keep up at all with macroeconomics?

George kept up with everything. I think George read every paper that came into the *JPE* [*Journal of Political Economy*] from the time he became editor, which was something like '73. If he didn't read every one he at least glanced through it. He

certainly read an awful lot of them. Then he would pass them on to somebody else, a referee of course, who was in the field, but he would also pass them on to another editor, because the *JPE* always had a group of editors. There would be somebody in international, somebody in mathematical, somebody in macro and so on. But, he read an awful lot of them. He worked like a dog. George took work home every night. When he came back the next morning, those things had been looked at, all those submissions. There were notes on them. Sam [Peltzman] is the person who would know more about this, because they were editors together. They say Sam reads everything that comes in, but I don't know if that is true either. But, George certainly did a lot of reading. I often suspect that the whole idea of being an editor was a kind of self-discipline thing. It is a *totally* thankless task.

Totally.

Unless you have a power hang up, in which case it is not thankless.

And then you shouldn't be there.

Yes, and then you shouldn't be there. But it is a way to keep up with the literature and provides a kind of self-discipline. George was a very kind of protestant-ethic guy. He was hard working. He had a conscience. If he didn't finish what he set out to finish by a certain day, he was upset. "Oh, I haven't done what I intended to do." He was always setting deadlines with me. "Let's try to finish this by Friday." Well, if economics had waited 200 years for this, why are we trying to finish it by Friday?

It could probably wait another week.

Yes. But George was a very disciplined, hard working guy, almost too much so. That is, he was a bit of a workaholic. I don't know if when his kids were little they really felt that their father was a workaholic. I'd be interested to know if they had. But, I think that the business of being an editor was partly to keep up with the profession. Of course part of the motivation was that strange loyalty he had to the profession. You see, he wanted the *JPE* to be a good journal. He wanted the profession to progress. And he wanted to make his own contribution.

This strikes me as curious because essentially, when he wrote, *especially* as he got on in his career, he pushed a sort of narrow self-interest viewpoint very hard. But, the more I learn about George Stigler, the more I hear about his loyalty, his conscientiousness, his intense protestant ethic and so on. Yet everything in his own work seems to say, "No, no. That's not the major motive of interest ..."

Yes, that is most interesting. And I think, it is irreconcilable, two pieces of irreconcilable information. Despite what I said the other day about the division of labor: why couldn't we do the theory and have somebody else do the testing?¹³ You know, if we have to present a testable hypothesis, why should we grubbing around with that awful data. Let some PhD student have a topic.

That's right. That's why they're there.

That's what they're there for, to test other people's theories. And, why did he feel those strange loyalties to the profession if, from the point of view of self-interest, he didn't have to ...

Certainly, he didn't have to take on the burden of being an editor.

Yes, and his whole interpretation of everything especially in his work in industrial organization focused on self-interest. Certainly given his neo-classical position,

consumers are, at *least* on average, self-interested, rational and consistent human beings, even if there are a few crazies.

That's the essence of his work, especially his work with Gary Becker.

Otherwise, everything falls down. It does form the core of a lot of Gary's work, though I understand that he is working now on something that is very Veblenian. He's leaning toward Veblen. I didn't hear it, but I read the paper Gary gave last Tuesday, and if I had known I could have informed you, but I didn't find out till after.

That's okay.

I'm sure it will come out in print. You'll find out then what Gary thinks.

Undoubtedly.

But, he has been dabbling with the idea of getting our tastes from other people, with relative tastes. It is quite inconsistent with George and Gary's, "De Gustibus Non Est Disputandum" article, which has to do with stable preferences, with relative prices being the important thing.¹⁴ Now you somehow have to reconcile all of this, but *I'm not smart enough*.

Was George Stigler aware of all this?

Well, I would tease him once in a while, about his irrational rationality and about his irrational loyalties. I think I mentioned this in my memoir that everybody thought he was so hard-hearted.¹⁵ But how do you explain these irrational loyalties? All loyalty is irrational, except, of course, if you get to freeload. You're not alone in sharing the reputation of your university. Your share is so small. When you are *already* a famous professor with a named chair you don't need to freeload. Right? In fact, when you're already a famous professor with a named chair, why work hard at all?

Exactly. What are you going to do to add ...?

I won't say who, but he criticized a colleague because he said he got very lazy, and wasn't doing any ... this is a quote 'scientific work' anymore, unquote. I asked him, "Do you mean that this work is unscientific or that he's not working, or that you actually believe that Economics is science?" We just murdered each other. I said, "By the way, he's got a named chair. Why should he be working? Isn't that the rational thing for him to do, to relax and enjoy himself?"

Given that framework, isn't that why you struggle to get a named chair, so that you can enjoy your life?

In fact, isn't that why we should all be opposed to tenure, because it gives you the wrong set of incentives? George wrote something, just before he died, on the economics of education, in which he complains about universities not having an incentive system that produces what it would if they were for-profit institutions.¹⁶ They should charge much more for the popular classes.¹⁷ They should pay professors by their output. Milton Friedman says you should pay them by their number of students, or give them a percentage of how much the students pay. You need to do something to have a proper incentive system, so that they work hard. It's an agency problem. You can't watch a professor every moment.

That's right.

So you have to have the right incentives. And what do we have? We have a tenure system, a most ridiculous arrangement. Does it have to do with freedom of speech,

and academic freedom? George wrote a few articles on academic freedom, and if you look at my catalogue, a lot of them weren't published, or were just published in-house. George was quite interested in academic freedom and the economics of the university world. There's a small list of his 1970s articles on the academic world in my catalogue.¹⁸ Most of them, if they were published, were published in the University of Chicago Chronicle ... or the Record. He wrote a lot of them when Ed Levy was President. He and Ed Levy were very close. Ed Levy would ask him, "Write me a paper on student unrest, or university's social responsibilities." You know, do we have to invest our money in the socially responsible way, and that kind of thing. He also wrote on academic freedom, because those types of things became big issues during the period of unrest.

Yes.

George was very interested in all this. He wanted universities to be more market-oriented. The reason these articles were interesting to me is that he treated the university in terms of supply and demand.

There's one problem with that. How did he reconcile....?

Why these extreme loyalties weren't self-interested. To some extent he would say to you, self-interest is involved. He wrote about this but I can't remember where. He wrote about colleagues being very important. Your colleagues don't just build up your institution's reputation, which reflects on your human capital, right? They also give you feedback. For instance, we had some *really* intelligent guy who came here with a workshop paper that had a flaw. As soon as he got halfway through his paper, the whole crowd jumped on him and he was humiliated. Sometimes we saw some really tragic presentations. Tragic to me at least, because I tended to be a soft heated nut in George's eyes. Some poor guy worked so hard, comes to Chicago and finds out he did something wrong. Maybe he had a built in bias. Why didn't his colleagues tell him before he came here? His colleagues must have read his paper. But perhaps some of these people who were his colleagues had their own personal reasons for keeping quiet. Maybe he talked these things over with his friends in other universities too, but they were his fellow graduate students who'd gone elsewhere, or his fellow faculty members who'd gone elsewhere. Now, here is George in the midst of Chicago, where all his contacts are such sharp people that if George made a mistake he'd know about it right away. Besides, he sent everything he wrote to Milton Friedman and Aaron Director. I'm exaggerating, but he sure sent a lot of it to Milton and Aaron. Those other people should have had better feedback. George said that the feedback from your colleagues is part of your education, your continuing education. It builds your human capital and that's why it's so important to be in a good institution. So, you could interpret *some* of his behaviour that way. Now, how do you interpret his loyalty to his profession? I mean one millionth of that came back, that's the paradox. That's hardly a worthwhile incentive. Why bother, you know? Your stake is so small. So, it was just his personality. That's the kind of person he was.

Yes.

I have no other explanation. I don't know what the answer is. I don't know if George's son Steve has an explanation. I would be interested to hear how other people react to that question. I know you've already talked to Lester [Telsler] by the way. Lester and George had a lot of differences. I'm not telling you anything you're not already aware of. He's the one to really pay attention to. Because I know I saw a lot of

George's faults, but I am an admirer of George. To end any speculation, I really want to go on record as saying I thought George was simply an extraordinary person. He was extraordinarily good and fair to me. Even though he was not a New Age man in terms of seeing women's liberation in the light I would have liked him to.¹⁹ He put my name on some of his papers. He didn't have to do that. He could have paid me an extra dollar. That would have covered the importance to me of having my name put on the paper. [laughs] And he did a lot of sharing with me. He gave me a lot of freedom. He trusted my judgement. But that is not the only reason I admired George. I admired George because he was wonderfully fair and upright in everything. He really always tried to do the right thing. If he had a conflict in which he had to decide what the right thing was, he *really* struggled with it. And if he knew he had done something harmful, said something that had devastated some poor slob who had made himself vulnerable by asking George's opinion, it bothered George. Because, you know, George could be so devastating. George pretended to be very blustery about that kind of thing, about hurting somebody's feelings more than he intended. To George, he was merely giving him honest feedback. But to somebody else, you know, it was devastating. He would say to me, "Well I told him the truth. What else can you do?" But it really did bother him and he would talk about it afterwards. He would tell you the story more than once, so you knew it bothered him.

It didn't stop him from doing it again?

No! That was his personality. He always told you the truth. I said to his graduate students, "If you want praise, go to your grandmother. If you want criticism, go to George." He always said exactly what he thought. But, maybe it was often not couched in the right, gentle terms. And it probably did hurt a lot of people's feelings. Also he could be very sarcastic and funny at your expense, which was one of his specialities. But if he found out, or realised, that he had *really* hurt somebody, he did feel bad. He did struggle with that. I don't think everybody realised that. Because I don't think they had the kind of day-to-day contact with him that I did. ... Want to hear a really good story?

Sure.

I know that Lester will tell you this story. But it's a very funny story. This is about George's kind of blustery personality. George and Lester disagreed very often about intellectual things. And one day George was working on something, I can't remember what, and he had a conference with Lester about it. George came into my office ... No. Lester came first. This was just like a stage play. There was Lester arriving Stage Left.

Yes.

Lester and I are old friends. I introduced him to his wife. I know him from the 1950s when we were students together. He said to me, "That George is so stubborn. He is so unreasonable. I told him his research was wrong. I explained it to him. I was right. George was wrong. And he won't listen to me." Lester was just letting off steam. He went out Stage Left; George arrived Stage Right and said, "That Lester is crazy. I don't know why I pay any attention to him. But let's try it his way." [laughs] Now in that sense, you see, I had a private view of George which was different from the one he presented to the rest of the world. He had told Lester that he was crazy and that was it. Lester went away totally frustrated. And then, [laughs] George came to me and

said, “Lester is crazy, but let’s try it his way!” I loved those things. They were such fun. We had such good times.

Let me see. Let’s just go back for one second to when he presented his results. You, of course, knew all the problems with the data and everything else.

Yes. This is a hard question.

Was it just sort of an attempt to stir the profession that caused him to appear so confident, or was it simply that he was more confident in his presentation than the actual data would seem to warrant?

Yes. I don’t know. I’d really have to think about that. I think it was more of a personality thing. It was the same as his blustering at Lester. George put on a very confident stance about things that he felt strongly about, in the sense that this was his research. Everybody falls in love with his own research. You know, it becomes your baby. But I don’t *think* that George had misgivings. I think that his presentation was what he felt. He had confidence in his theory and he felt that his data supported it. The defects, they are always mentioned somewhere, not in strong terms, but they are always there. Maybe they’re in a footnote or an appendix, but the defects in the data, as far as we were aware of them, are there. We always tried, of course, to find a way to overcome them. But I think it was really a personality thing that saw him always presenting everything with great confidence. He was always a kind of rhetorician, although, he did give that bad review of the McCloskey book on rhetoric.²⁰

Yes.

But in other situations he said that presenting your theories in a convincing way was very important. And I think that it was really a part of his personality that when he presented some theory he did the best job he could. And I haven’t really answered your question because it is such a difficult one. But, I think that he really was essentially confident. I’m talking about intellectually confident. He was pretty sure that his theory was in good shape. If his data didn’t quite support it, that was because there are inevitable problems in all data. However, he was sure that he had used pretty good data and that we had done a pretty good job in supporting, or at least not contradicting, the theory. But when he presented his results, he didn’t use words like ‘pretty good’. That’s clear.

Yes.

He made it the best case he could, and that’s the kind of person he was. He would never be intellectually dishonest, but when he came to writing up his results, I was always somewhat astounded that he made it sound so good. And yet he never, ever left anything out.

No?

If I said, “You know, there are problems with these data.” There it was in the article. But when it comes to his concluding paragraph, he makes his results sound pretty good. And he did everything that way. When he taught a class, by the time he got through with those students, he had constructed a great case, you know, for advertising or something else that students tend to be skeptical about. Say some sixty percent of his students would start out by saying, ‘Hey, wait a minute, isn’t advertising a big problem?’ When George got done building his case it was down to something like six percent. I have to show you some funny pictures I have of George in front of a class because they’re really good, very revealing. He was a great

showman. He was a great writer. He had style and he had wit. He wasn't shy about using it all. I haven't done a good job of answering *either* of those nasty questions you asked. But that's the best that I can do.

They're very difficult.

And when he criticized somebody, when he debated, he was tough, especially somebody who really targeted George, or perhaps threw down the gauntlet to George and said, "We have inflexible prices," or something like that. I'm talking about someone who would turn around and ask, "What do you think of that George Stigler?" Well he didn't hold back. He took out all his ammunition, his wit, his charm and his writing ability, his data and perhaps his theory for questions that really mattered to him. I mean questions of logic, or the consistency of a theory with past theories. He pulled out all the stops. When you're a great debater you can't be a Claire Friedland who says, "*I think*, I think our data support those conclusions, maybe." You have to be a George Stigler who says, "Look at our data. How can you go on thinking what you think when we've just shown that there was something wrong with the BLS statistics. Prices are a lot more flexible than you ever thought." Well the truth is the BLS statistics were not very good. Looking at them and seeing how they were collected, there is no question about that. But ours weren't perfect either. Ours were full of holes, but they were better, even if by only five percent. That's what I would have said, but George said, "Look at our data!" and "We have done a beautiful job", which we had done. Ours were better because the source of our statistics was a collection of the actual transaction data, whereas the BLS just took any old thing that anyone sent them: contract prices, list prices, etc. And they are now collecting some prices our way.

But of course, Stigler's not just saying that what he's done is an improvement, that his analysis should be relatively more convincing than any previous claims. He is saying that this is the end of the story. "Look, we've got the data, we've got the theory. What else is there to say?" This is a completely different....

But don't forget that nothing in Social Science is perfect. It's not physics either. You can't conduct controlled experiments in economics. But, our data is better than their data. That's all. We have the latest and best information.

So it's up to them to come up with better data?

Right. He was a great debater, a very clever theoretician and a salesman. That was his personality. If he tried to convince you not to leave Chicago, if you were thinking of going elsewhere, or to come to Chicago, or to do *anything* that he felt you should do, he would present you with this same very confident case that was very hard to resist.

He would have been a great lawyer?

Oh yes! He would, yes.

He would have gotten almost anyone off.

Yes! And Milton in his way was a great debater too.

Yes.

In an *entirely* different way from George.

Very different.

But I always said, if you want to win an argument with Milton, you have to disagree with his first premise. When he says one and one is two, you have to say, “no”. [laughter] Because, from then on Milton will not make a mistake in logic, he will present some overwhelming evidence and he will be witty and charming and you *will* be devastated. I mean there are people who are just very convincing presenters. There again, it’s personality.

Yes.

Milton of course is a great genius. But even great geniuses make mistakes, and great geniuses lose debates.

Yes, of course.

They lose debates because debating is not necessarily one of their skills. And they make mistakes like anybody else. [laughter] Because, anybody can make a mistake.

We hope. But speaking of mistakes, the ’62 paper, “What Can Regulators Regulate?”²¹ How did George Stigler and you become aware of the data entry error?

I *think* – I’m not positive that I remember this correctly – I think Kevin Murphy (this is Kevin J Murphy not Kevin M Murphy who is here in Chicago, but the Kevin J Murphy who is now at UCLA. He had been at Rochester before, and he had been a Graduate student and a post-Doc at Chicago (a very nice guy). He asked me for our data to do something and then said he couldn’t replicate our results.

Aha.

That was in the early ‘80s. I could probably figure out the dates from when he was a post-Doc in Chicago. Anyway, I figured out what I had done wrong. Or maybe Kevin did? In any case, one of us figured out what I had done wrong. It was a decimal point error. That’s why it was such a terrible error. Our coefficient was wrong by a factor of ten. But our standard error was off by a factor of ten as well. So our t-statistic was OK. But our remarks about the size of the effect were wrong. This was all entirely my fault because I’d never seen a computer before and I had made a mistake in configuring the data. God knows what else I’ve done wrong in thirty two years. Hopefully, this was my worst mistake. It was my first computer experience, but it was just stupidity on my part too. I’ve explained all this before. It was stupidity for not knowing how to handle this computer problem that I was having. But in any case, I told George about it. I asked him what to do about it. This was some twenty years later. George’s answer was that there was no point in making a big fuss about this mistake because it was twenty years ago and nobody cared anymore. There had since been a mountain of research on the effects of regulation, which had become much more sophisticated than ours. Ours was *very* crude by comparison. The Averch-Johnson stuff is just one example.²² I mean, everybody that has worked in this field has been more of an econometrician using more sophisticated econometrics than we used. There’s now a mountain of evidence and ours was just really one of the first drops.

Yes.

Ours was the initial study that stirred people up. But, it was now just too far back to make any difference. It’s historically interesting, but it’s not now interesting from the empirical point of view, because there is *so* much more empirical information. Most of it verifies our results. So that by 1981 or 1982, whenever we found this mistake,

our results on “capture theory” by this time had become generally accepted. There’s no point in looking at our data, or calling attention to the problem in our data, because the profession has moved way beyond that point. After all, this is after George wrote his 1971 theory of regulation.²³ People were already asking at that time, why capture takes place. What are the political elements that explain this pattern? By that time, *everybody* recognized that when government seemed to try to do something with the consumer in mind, the consumer ended up being the fall guy instead. In case after case, every regulation benefited an entrenched firm or firms. Half of the regulations kept prices up instead of keeping them down, like the case of the Civil Aeronautics Board. But, it became necessary after George died for me to bring this subject up because Sam Peltzman mentioned it. I told Sam that he had to put the correction in when he wrote about George’s contribution to industrial organization.²⁴ So he decided to do something in the way of correcting it. Now, in between times, *many* people had written to me for the data. I would always write back to them about the data problem. But we had never done anything publicly to correct our mistake. Maybe we should have. But I remember quite well what George said.

Gregg Jarrell also used our electric rate material. Gregg and Kevin J. Murphy were both here sometime between 1981 and 1985. I think however that it was Kevin that first pointed my error out to me rather than Gregg. I’d have to find my notes. Gregg was here in 1981 and 1982. But it was only after Gregg left that he wrote to me asking for the electric utility data, so that would definitely be after 1982. In any case, the profession has moved a long way since 1962. And I’m amazed that people still write to me for the data once in a while because, as you know, we now have the Internet. There I was collecting the data, sort of picking it up one piece at a time by hand in 1962. It’s certainly not as good as what you could get today using all available electronic devices in the world. We were actually – I can’t believe this – we were actually looking up logarithms in a book back in those days. You probably don’t even know about looking up logarithms?

Yes, I know about....

The tables? Right? Interpolating logarithms?

I distinctly remember sitting in classrooms and being taught how to interpolate logs, yes.

The number of mistakes we could make was quite impressive.

Oh yes.

And the number of mistakes I made between 1960 and 1965 would make a nice little book. [laughs] I had a funny idea of publishing something called ‘The Collected Errata of Claire Friedland’ [laughter] but since I’d already made so many mistakes I was going to spell ‘errata’ ‘EROTA’ and then the book would sell a little better. [laughs] I wonder about other people’s mistakes because the only ones I *really* know about are my own.

Oh well.

But that was the only really bad mistake I ever made. I made a lot of little mistakes in our paper on new issues of securities, but it didn’t really change anything much.²⁵

What’s *ironic* is though, in a sort of serendipitous way, is that part of the impact of that article was in fact the results you drew.

Yes, I should have said that. The interesting part about it is that it hardly matters *how* this all got started. I hope I'm not giving us too much credit for being innovators, but it did start a whole series of similar investigations. Following George's reasoning it probably would have happened anyway. George said many times that the profession moves in a certain direction because of what is happening in the world. Right? But in fact, the whole academic industry of testing the effects of government action, of then asking the question 'why we have the regulations we do?', that industry got started at that time. It got started because of the mistaken empirical results in our article. It was ultimately a very productive line of investigation, because of all these other people doing this same type of research. And, we learnt a lot. We as a profession learned a lot about the effects of government activity. *That* concerned us. But I don't know if that is what you meant? Just because we happened to write this article which just happened to have this mistake in it. But this wasn't really important. And no one article is really important, if there *isn't*, as I said, a mountain of evidence. Of course, there has to be a mountain of theory too. [laughs] I mean a lot of people have to think about something and work on something for it to have any meaning. No one person's work....

But work can act as a catalyst.

This is more true of empiricism than of theory. One person, I think, can come up with a theory, but when it comes to testing, there has to be a lot of it done or it's not really interesting. Milton Friedman tried to create his own mountain [laughs] on the subject of the money supply with the aid of Anna Schwartz, I should add.²⁶

Yes.

But if other people didn't do it too it wouldn't be definitive, would it?

No.

A lot of people have to go out there and do it, and do it their way. Is that what you meant about serendipity?

Yes.

It was just the right subject at the right time. People were *ready* because regulation, government regulation of the economy, which you could say started with the ICC in 1888 or whenever it was and the Sherman Anti-Trust laws of the 1890s.²⁷ Eventually regulation matured to such an extent that we had a trucking industry completely protected by government programs. We really had a whole section of the economy that was not working the way it should. To some extent, at least, it was not working because all these industries were government created monopolies or oligopolies with government protected prices. The world was ready to really re-examine regulation, I think. That's my opinion. But George certainly said a lot about the professional response to what was happening in the world. So, it's not just my opinion.

I wonder how far would he have pushed it? Would he have said that *any* regulation, *any* government regulation could not have a sort of beneficial social welfare effect? I mean....

He argued, if he could, about the externalities.

Even something like vaccination of children, a regulation that you can't go to school if you aren't vaccinated....

Well that's a very strong externality.

Yes.

Because if you don't get vaccinated you endanger the others.

Yes.

I think that this is one of the reasons that Coase's work was so important to George. Coase's work indicated that an awful lot of things which *were* externalities or had the *potential* to be externalities might be handled in a non-governmental way.

Might?

Might. That's it. And I know there is a problem with Coase. I've read a lot about the literature based on Coase for Stigler's "Law or Economics" article because that deals specifically with Coase.²⁸ And it was very interesting. Many people interpreted Coase as saying it only works with *zero* transaction costs, and that wasn't how I interpreted Coase. Not that I'm anybody, but I thought that Coase was saying that to the *extent* that transaction costs are important, markets will be *less* effective, but not that you had to have zero. A lot depends upon how you interpret that one item. If you have to have 'zero', we don't have any 'zeros'.

There's are no 'zeros'.

No.

That's a nonstarter....

Now the Coase approach worked to some degree. You see that once again we have some empirical issues to test and measure. How much are the transaction costs that we do have? What mechanisms are at work to get rid of them? The way George saw the economy was as one in which the market *constantly* was adapting to all the non-market deficiencies that so much of the profession were concerned with. He knew that they were out there, that externalities were out there. However, he said, "Look, the market's rushing in every moment to take care of them. Here's Coase opening this big door for the market to rush in." And *that* was what George was focused on, starting perhaps in 1960 or '61, whenever it was that Coase gave his famous talk. George described in his memoirs that wonderful talk in which he said that everybody in Chicago who was there was wrong and Coase was actually right.²⁹ George was focused on the way the market marches in to *eliminate* the externalities, to work *around* them to make them a market problem instead of a non-market problem. I think I've quoted him in my memoir as saying something like, 'externalities are what the market has not *yet* eliminated.' That's not an exact quote but in my memoirs I do have the exact quote.³⁰ You see he saw the market as *the* force. Many of those problems that people were concerned with in Chicago started out as problems of externalities. This is not even to mention the political arena not working the way we would like. For example, what do you do when the Europeans are subsidizing? Do you have countervailing subsidies?

Yes.

Or Galbraith's countervailing power, how do you handle all of that? These are just some of the endless problems of which George was very well aware. But, he was looking at the other side of the market, at how the market may provide an appropriate solution. He said he saw this arbitrage going on all around him. Whenever there was a situation that somebody could take advantage of to make money he would. That was what solved a lot of these problems. Now, the role for regulation ... I don't know. I

can't answer for George in all situations. I think George thought that you needed to have an army [laughs]. I'm not sure about the police force or the fire department. He never used the term 'libertarian' I think to describe himself. I certainly never used it. And God knows he was not a von Misesian; they're too anti-empirical. He was not an Austrian and he was not a libertarian. But what exactly would he allow as a proper realm for government? Then he got into this – I remembered his name for it after talking to you – 'paradox of legitimacy' he called it, or sometimes he called it the '*problem of legitimacy*'. At the time of his death, this was one of the problems he was working on. It was *very* much of a concern to him. You have to remember the kind of public persona he had. If something bothered him a lot *I* saw the side of him that said, "I don't know what to do about this problem!" But the rest of the public saw that other side, "Here's what I've *done* about this problem and isn't it convincing." But he was very much concerned about how you could call something inefficient in the political arena. We do have a democracy, more or less, we have representative government, then how can something that has been allowed to happen be inefficient? After all, that government has allowed some program to go on and on, year after year.

Yes.

The sugar program was sixty years old, the anti-trust law was over a hundred years old by the time George died. If it reflects the public demand for it, how can we call it inefficient? I think *that* is part of the answer to your question 'what do we let the government do?' It's not an answer. It is something that he was worried about. Something he was thinking about. How to reconcile consumer sovereignty, or voter sovereignty, with his previous notions of inefficient government? Can we say this is illegitimate if the public wants it? Is that consistent with our extreme position on consumer sovereignty which is that no matter what horrible things the public wants, as free market economists we can never question it. That's certainly one of the basic principles of neo-classical economics. Consumer sovereignty is both the end of the story and the beginning.

Yes.

And we don't argue with the consumer, no matter how self-destructive these demands are or how inappropriate. Anyway, if you want consumers to be free to choose in the market place, how can we argue with them in the political arena where, in a sense, they are acting as consumers too? Well, in his last years he was writing frequently about this.³¹ I think it was something that he was struggling with, kind of in the same way that Frank Knight was struggling with religion.

Yes.

Knight thought it was all bunk, but still he couldn't dismiss it. He had to think about it, and I think it was an unresolved thing at the time he died. It is one of those things you could never really resolve. In any case, the problem of government was something George was giving a lot of thought to before he died. This is entirely different from looking at it from the old Adam Smith point of view, 'here's the proper role of government.' There was protection, for instance, the case for an army. Then during the next two hundred years we tried to decide whether Adam Smith was correct or if there was some category that we should take out or put in. George presented an entirely different view of it. Now I don't know if anybody else was thinking about this. I don't read the literature that closely but it is an interesting

question. I suppose the public choice people must be writing about this too. But, I haven't really kept up with what they are saying.

This is an interesting point, because in fact, in both private and public activities, we spend so much of our time trying to convince each other of things, or persuade each other of things.

Hmmm. Like advertising, right?

Advertising is just one. Advertisers do try to convince you. But your friends and family constantly try to convince you to do this or that. They insist that you should look like this or not look like that. Economic theory, at least the core of that theory, is saying, "No, that's not really important, or that's not..."

That's not relevant.

Not relevant, thank you.

Economists don't care where your tastes come from. Right?

That's right.

If they're in your genes, it's just the same thing as if you got them from advertising. You can't even call it waste, because it's what the market demanded. After all, there is certainly a point of view that all advertising is waste. The consumer is behaving irrationally because of the *influence* of advertising, if we want to use those terms. Or, it may be because of the influence of talking with and competing with his neighbors, or anything else of that sort. But the neo-classical economist doesn't care about that particular issue. He says that whatever the consumer wants, that's what he wants. Who are we to ask? Milton Freedman says that if the consumer wants drugs, who are we to question? I hope I'm quoting Milton Freedman correctly. I mean he had other reasons for feeling that drugs should be legalized which had to do with crime and so on. But one of his points was, who are we just to tell people what to consume? Well, there's an externalities argument to be made there. But take one example, the war on drugs [laughs] that has a lot of externalities attached to it. Don't ask me to reconcile all this! I'm just bringing it up so that I'm sure that we're covering all the bases here.

If we look at the success rates of arrests of the major drug barons then...

Yes, certainly from an empirical point of view, we're either not conducting this war effectively or....

It's a useless war!

Yes, and we're not, for one thing, we certainly *aren't* calculating the costs of the war correctly if we look at the Justice statistics on it.

Yes, and of course, there is now a whole establishment that depends upon the war on drugs.

Right, and if we used our own reasoning that we never want to see any industry shrink, then one of the jobs of government regulation would be to prevent agriculture from shrinking, or to prevent the Chrysler Corporation from shrinking, or anybody else from shrinking. Well, we have an obligation to the drug industry now to keep it from shrinking.

Yes, and we have to support all the DEA officers, and all the drug dealers too.

But I'm quite sure that I'm quoting Milton correctly, that he feels it's a consumer sovereignty issue, at least in part. George certainly never brought the subject up and George being such a conservative, you see, would never think in those terms.

Yes.

He might agree with Milton, but he wouldn't go out and proselytize about it the way Milton has. George was not socially - what's the word I want to use- liberated. You see, Milton is the same generation as George. But Milton would just get up in front of a college audience and say, "Why can't we just make drugs legal?" This actually happened at Chapman College. The president was an old student of George's and Milton's, Jim Doti. He greatly admired them. George was supposed to speak at Jim Doti's inauguration as President of Chapman College, but he died between the time he accepted the invitation and the inauguration. I went to the inauguration. Milton spoke instead of George. Milton was speaking to the students at Chapman. These were the most conservative, straight, tie-wearing, short-haired [laughs] students you've ever seen. This is in the midst of the Simi Valley, south of Los Angeles, the only congressional district with a libertarian congressman.

Milton went down there and with a sweet smile on his face, he said that we ought to legalize drugs. You've got to picture this in your mind. All over the world, there are conservative professors and radical students. The students are yelling, "We have to make marijuana legal." That's as far as most of them are willing to go. Their professors are taking on this stern parental view. Here's Milton going to this very conservative college and taking a very extreme view in favor of legalizing drugs. The students were *shocked!* The whole thing was riotously funny. Milton was just taking it all in, in his wonderful, easy-going way and debating with them. It was just a lot of fun.

Well....

Yes, I'm on Milton, we have to get back to George.

No. That's okay, feel free to digress.

You see the contrast between Milton and George is interesting. Milton's a proselytizer, talks to the public. George didn't have anything to do with the public, didn't want to go to Washington. He was offered jobs in Washington and never went. He didn't see himself as a *policy* person. He was interested in the real world from an empirical testing point of view. Of course imbedded in his whole viewpoint was an implied policy that the government was being hyperactive.

Sure.

And that we should cut back on it, but George did not go out there and recommend policies. If anything, his was taking the negative point of view, which said that we should get rid of some these interventions, but not really telling us what we ought to go out and do instead.

It seems, just looking at his writings, that he went more and more away from taking a policy position as the decades went by. By that final paper he was taking an extreme position.

Yes, that's very interesting that you mention that, because we were talking yesterday about George in 1952 writing that article for *Fortune* and testifying for a government committee about how we should break up the big corporations.³²

Yes.

And then realizing that he had made a mistake, he didn't just move away from that position which he later totally rejected, he moved away from going down there and telling the government what to do in the first place. He really was not much of a communicator with the public. He communicated with the profession, which is different. The public wants *exact* policy recommendations, whereas the profession wants general principles. George was really working on the general free trade principle. He was very interested in criticizing and examining policy, but he was not going to travel to Congress to make recommendations. He was not appearing before the public making recommendations. I mean, negative and positive are the two sides of the same coin but somehow they are different. This is something that Frank Knight and Paul Douglas debated about. Paul Douglas went to Washington, became a Senator and not only was very policy-oriented but also disagreed with Knight on his policies. Knight didn't just criticize Douglas's policies, he criticized Douglas for wanting to spend his time like that, for being a *publicity-seeker*.

Yes.

Once you align yourself with a political group you have to make compromises. You have to overlook the fact that their program, every political program is a compromise. That's the problem with the party system. It's a conglomerate of ideas and objectives. You like some things and you don't like some of the others, but you only have two parties to choose between, so you choose the one with which you need to make the fewest compromises. Once you start aligning yourself politically, you're stuck with that. Knight wouldn't have *anything* to do with that. George, not that he wasn't interested in politics, he did go out and vote, but he wasn't political in that sense. Compromises were really beyond him. I don't think he was capable of that. I mean overlooking something you didn't agree with because you agreed with something else. That's not George. I don't mean that he was perfect, but that he was not flexible enough to do that.

I know that he wrote that if an economist goes to Washington as an advisor he should cease to refer to himself as an economist.

[laughs]

He would simply be an 'advisor'. He would be someone who is giving advice but could not pretend to any academic rigor....

Yes. I remember that we were looking for testimony by Jacob Viner. I think we had a letter from Jacob Viner in the file, or else it was something verbal communicated between Viner and George. Viner testified in some anti-trust case, I think it was the Portland Cement case.³³ He realized that something was beginning to happen to him. [laughs] He complained about it afterwards. George wanted to use that as an illustration. You know, as what happens when 'Mr. Smith goes to Washington'.³⁴

Exactly. The curse of the expert witness.

I hope I'm not misrepresenting George as a perfect human being?

No!

He wasn't perfect. He was just uncompromising I think. That can be perfect and imperfect because compromise can be a good thing. So I don't mean to make him out as perfect. I'm a great compromiser myself.

We all have to compromise to some degree or we couldn't live.

Yes. That sort of undiplomatic way he had of criticizing people without doing something to soften his criticism, or maybe keeping his mouth shut once in a while and *not* criticizing, was not really a good trait. It was a rather anti-social trait.

Would you say that whatever enemies he actually made in the profession he made by that trait, by not being able to hold back?

Yes. I mean, it wasn't just that he criticized Gardiner Means, or that he criticized John Kenneth Galbraith, but he was sarcastic. He was funny but he was sarcastic. He devastated them. They didn't take it too well.

I'm not sure that too many people would.

I know, and George was just telling them what he thought. He didn't want to hurt anybody's feelings. He wanted to show that there was something wrong with their thinking.

But it's hard to employ...

But he didn't, yes, he didn't soften his remarks in order not to hurt their feelings or in order to allow them to save face. He really went after them and did his best to demolish their arguments and, that was George. And you don't make a lot of friends that way.

Not particularly.

No.

No.

And if you read what he said about some of Galbraith's work....

Yes, I have.

Aha! I wouldn't blame Galbraith for being offended [laughs].

Well, people don't like to be referred to as 'an idiot.'

Did he use that word?

No, but it's....

But he certainly, yes, he certainly said things that implied that.

Yes.

And most people don't like it.

No. You didn't have to leap very far to get that impression.

Yes.

That speech you told me about. When he talked about women and what they were capable of, at that '88 session of the American Economic Association. Did he really *not* realize the effect it would have?

[laughs] I told him! He'd go around saying those things. When George died in 1991, political correctness had not yet affected his behavior [laughs].

Obviously not.

[laughs] He really should have been more careful about the kinds of things he said. And he certainly knew there was a Women's Movement out there that was ready to pounce on *anybody* that said *anything* that could be construed as depreciating females. I told him he can't go around saying those things! But, he was a very old fashioned, conservative guy. I mean, he really was not a New Age Male.

Was he surprised at the reaction? He must have known there would be hell to pay?

He probably was a little embarrassed, but I can't speak for him. I don't know. He was a bit of a provocateur. He liked upsetting people. I told you he wrote that column for *Business Month*. After a year went by, nobody had criticized it. They didn't get any letters to the editor. And you know, he had said so many outrageous things: that insider trading is really OK, that sort of thing. He said things meant to upset people. Well, he gave it up. He wasn't having any fun. He wanted people to criticize his ideas and then he wanted to come back with his rejoinders. You know, he wanted to have a little controversy.

He liked to stir a little bit.

Yes. He probably thought the women were being oversensitive. If they had evidence to show him, they were welcome to present it. As far as George was concerned, the free market of ideas was the same as any other free market. That's why it's silly for people to say that George demolished monopolistic competition because he didn't like it.³⁵ There's a free market out there. The other guys were free to present their case. George had no special market power. I mean, that is what is implied in that article, that he had market power. And he really didn't. Everybody in the world was free to disagree with him, or to just go on and ignore him.

He had a bit more cachet from his position.

He did have a bit more. I would say that he had some weight. He left monopolistic competition out of his textbook. However, he didn't really criticize it in his textbook if I remember correctly. That's something. I would say that had some affect. But do you know how many economics textbooks there are? I mean it is a way to make money.

Yeah, if you can....

If your textbook is required in Economics 101, you become a millionaire.

That we know.

George didn't become a millionaire but Paul Samuelson *did*.

Yes.

And that's a free market too. It's a free market in economics books. If you look at his work on the kinked demand curve, it didn't make him any friends either.³⁶ We examined the popular textbooks to see which ones mentioned it and which ones didn't. George's point, if I remember correctly, is that if something got to be a popular idea, like monopolistic competition, or the kinked demand curve, a certain number of textbook writers would feel that they must put it in their book. They will include it, even if after the section on the kinked demand curve they add that there hasn't been much supporting evidence for this theory. Or they may say that it has been widely criticized or controversial or something to show that they were aware that there has been moderate disagreement about whether there is such a phenomenon in the first

place. George's position was, if you don't think this is worth putting in a textbook, don't put it in. That's why his textbook is so short and the others are so long. George does not put in something just to be politic. Whereas, if it was me, I would say, there is a group that believes in this, therefore I'll put it into my textbook. At the end of my little presentation, I would then say that this theory is controversial; there hasn't been much empirical support for it. George just left it out. That was his idea of a textbook. A textbook is received wisdom that has stood up over time and was consistent with the rest of the received model. You don't have to throw in every item that might have gained a little popularity in the thirties, forties or whatever. You didn't have to appease every group that gathered around such issues as administered prices or monopolistic competition. But, what was our original question? How did we get on to this?

We were talking about the empirical evidence from women, that he expected them to combat his assertions.

Oh, the women....

Yes.

Oh yes, there's a free market in ideas. If they don't agree with him, then they can show their evidence too. If he were writing an article for a journal, he would have done a better job. But he was speaking more or less informally. I forget why he was on that program or what he was commenting on. But, he was talking off the top of his head. He wasn't presenting any real evidence. Anybody who wanted to disagree with him could.

I should have pointed out the other day, that in fact, when he made statements likewomen can't do x,y,z, you know, look at the evidence. There are no women painters blah, blah, blah.

It's very unscientific.

Did he *realize*, in fact, that by doing that sort of stuff, he was going against his own first principles?

Yes. But if he were writing an article on the role of women, he certainly would have supported it with facts if possible. He would have examined his reasoning carefully, I think. But he wasn't. It was something he was speculating about. In other cases, when he was sitting down systematically to think about something, he examined it systematically. He tried to support it in a systematic way.

Yes.

He was also showing a little bit of his old fashioned, conservative bias. You know, he'd wear a tie every day. He had short hair. He wore a fedora. He was an old fashioned guy who would open doors for women. He saw women in an old fashioned way. He didn't have his systematic hat on when he said those things. They are the sorts of things that people say around the dinner table. People just don't say such things for publication. I mean, I go around saying there's something in the male chromosome that causes them to disappear on moving day.

[laughs]

I don't put it into print. Most people try to avoid publishing the sorts of generalizations that you might make in casual conversation. He shouldn't have said that in front of this group, but it was essentially a casual comment, not something to

be taken too seriously. It wasn't the main point of what he was saying that day, which is something that I can't remember.

Going back to his type of no holds barred style, I remember looking at the joint paper the two of you did for the Berle/Means conference at the Hoover Institute.³⁷ Again, one way to approach doing that type of paper would be to say, "Okay, this is what we understand that Berle/Means were trying to do. These are, from our understanding of this, the testable hypotheses. We have tested them. Based on the information available at the time in which Berle/Means wrote, we don't see any evidence that supports them." Fine. But, *then* he feels compelled to claim, not only that, but that this book never had any influence at all, none whatsoever, not an iota.

Did he say that?

Yes.

No! He didn't say that!

He says maybe the literature....

Maybe he said that it had a political influence but not so much....?

It had none on the profession.

None on the profession?

At all.

He said that?

Almost none.

Yeah, well he tended to exaggerate [laughs].

I mean

Because its main influence, of course, was political.

Yes, but....

As far as the public went it had *enormous* influence. I think that George saw that too.

Yes.

But, on the profession – and of course that's a hard thing to measure and I don't remember *exactly* what he said – but if he said a thing like that, it certainly was exaggerating.

It's like he can't

[laughs]

Just go ahead and say he doesn't think....

He exaggerates his case.

He just has to *pile* it on at best.

Yes, but that was his personality.

I remember because then there's the comment by someone – I think it's Douglas North – who says, "Well if it had *no* influence, why are we all here?"³⁸

[laughs]

“What are we doing here, because....

I sort of begin to remember it all now. Yes. I think a lot of George’s taking of extreme positions was kind of rhetorical. First of all he did it to make his point; secondly, to make the debate a joined debate.

[laughs]

He didn’t like an unjoined debate, I speak as one that favors the unjoined debate. He liked to take sides, to have a really clear position that somebody else could disagree with. He wasn’t trying to be a mediator. He probably *was* making the point that the influence it had was mainly a political one, or social really. There were certainly the decades in which the Berle/Means position was the commonly held position. We had some kind of problem with the corporate system and the corporate managers. They didn’t have the kind of responsibility we wanted them to have and so on. This was such a popular idea it was almost the basis for a great deal of what the New Deal became. Berle more than Means was a member of the New Deal brain trust, if I remember.

He was the lawyer.

Yes, he was the lawyer and I think he was a kind of brain-truster, if I remember correctly.

Yes.

I think what George was saying was that this was the real impact, because it appealed to the public because they were mystified about why there was this terrible crash of the stock market. And compared to that, the professional reaction was not so great. But that’s the only way I can explain that remark.

Yes, because certainly no matter what you think of the work and what they did, just the raising the agency problem is quite important

It had an *enormous* impact and the agency problem was still occupying Eugene Fama, Mike Jensen, Ben Klein and others at the time of that conference.³⁹ In fact it is still occupying researchers world-wide.

And it goes on and on and on.

And they’re still trying to decide whether we’ve got a way around the agency problem or we don’t, and reinterpreting various corporate practices and solutions to the agencies problem. An unfriendly takeover is a solution to the agency problem as is a proxy fight. Maybe if Doug North had questioned George more pointedly, George might have spelled out exactly what he had meant. We would understand better what George was thinking. Because he certainly couldn’t have thought that the agency problem wasn’t important. Maybe he was thinking about something else. I can’t speak for him.

I was just struck, because it reminded me of someone who had someone else on the ground, you know....

[laughs]

And then just couldn’t leave without giving that final farewell kick as they left. ... Anyway, some of the formative years of George Stigler’s research in the ‘50s and early ‘60s were, of course, during the Cold War Period. Do you think that had any influence on his direction? Because during this same period, he is

pushing very hard for individualistic ideals: Individual consumer sovereign, etc. Of course during that era we were all being told that individual liberty was under threat. Do you think....?

I think you're referring to the Hayek problem?

Yes, the Hayek, exactly. Did that have any influence?

Of course, George was a great friend of Hayek and a great admirer of Hayek. But George said that *The Road to Serfdom* turned out not to be such a clearly defined route.⁴⁰ After all, we had had an awful lot of government expansion. We had the construction of the welfare state. Yet we hadn't gone over to tyranny or corruption on the kind of scale that Hayek was talking about, with the very worst rising to the top. Instead we had the mediocre rising to the top – this is Claire not George. I haven't answered your question. I think that George's position goes back before the Cold War, that George goes back to Frank Knight and the pre-Cold War period.

Did the Cold War accentuate it?

It was the 1930s when he was a student here in Chicago that had the real impact. This was when George and Milton, I *think* under the influence of Knight and Viner, started to think strongly about the individual being the important building block of economic theory. The Cold War, I don't think, was really that important. They'd already....

They were already there.

They'd already reached their position by then. They'd gone through their formative years and they never changed from that Knightian point of view. I don't know as much about Viner as I do about Knight, because I studied under Knight, but Viner was gone by the time I came. But I've heard a lot about Viner and I know that Viner and Knight - and Henry Simons maybe - were very important to George and Milton. The Russians were hardly of any interest. They'd already spoken to that problem, not before the Russian Revolution but before the Cold War. And they were speaking to Marx long before they were speaking to Khrushchev. [laughs]

Okay. Talking however about Frank Knight, there's a lot of admiration, clearly, in George Stigler's autobiography and his letters. Two things then on Frank Knight: First, do you have any idea what Frank Knight's opinion of George Stigler was, how he felt about him?

I don't know that. I know George's opinion of Knight which was one of great admiration, though he thought of Knight as eccentric. Knight was very eccentric. But Knight's opinion of George? That I don't know. They were quite friendly up until the very end and Knight even relied on George a lot when he was really old. George protected Knight in many ways. You know, how a university tends to treat people of a certain age, take away their offices and so on? They did this to Knight in fact. George really went to bat for him. How Knight felt about his student's views? I've never seen *anything* about that subject. Maybe there's something in Knight's letters, but I hardly even know where to look. There were some very interesting things in Knight's letters which if you weren't here to talk about George I could tell you about. Maybe I could tell you about a few of them that I found fascinating? One was a letter about Aaron Director. Somebody was thinking of hiring him, somebody at Yale, or Harvard, or some place in the Ivy League and was questioning his Jewishness in a letter to Knight. This was a long time ago (the 20's I think) when people said such things in print. Knight replied, "In fact of course he is Jewish, but I think you will find that this is an

extraordinary mind, a person whom you would be happy to have on your faculty.” The other really fascinating one is a letter from somebody in Germany offering Knight some Honorary Degree. The person making the offer is obviously speaking for his Department, but is also Knight’s old friend. Knight said how really sorry he feels because of his friendship and how in another situation he would be so honored. This was 1930 something. He said because of Hitler and because of his obligation to his Jewish friends, an obligation in a psychological sense, that he couldn’t accept anything from a German university. Now don’t forget this is Frank Knight from Illinois, a farm boy – I think it was Illinois, or maybe Tennessee or somewhere – ⁴¹

One of those states.

Not much in common in his background with his Jewish friends, and yet to have been so high-minded as to have done that. I thought that was certainly something that I was impressed with. I have a lot of other things to say on the subject but I don’t want to waste your time. They’re not relevant to George at all. There are a lot of other interesting things in the Knight letters.

George Stigler, of course, broke, in many ways from Knight. In many senses, George Stigler’s work is very different. Just to name a few things, George Stigler from his writing is very clear in that he thinks marginal productivity theory is an explanation of income distribution. But Frank Knight approaches the problem in a much different way. He says that if you want to explain income distribution, you have to look at not only what somebody *does*, the effort, but what they start with and something he calls ‘random luck’. I can’t *imagine* George Stigler taking this as being the benchmark case.

This is Knight’s work on Capital?

Yes.

And the random problem?

There’s that aspect of uncertainty that characterizes Knight’s work.

Yes, the uncertainly problem.

He certainly would not have pushed the ideal of self-interest, not to the extent that say George Stigler pushed it. He wants to include lots of other things as well. He thinks of self-interest as perhaps a very good, useful assumption but....

Yes. I think, if we consider the idea, first of all, about useful assumptions, ‘useful’ is meant only in the sense of, until a better one comes along.

Exactly.

It’s the best we’ve got, right?

Exactly.

But I think it’s one of those questions that I can’t answer because I’m not a good enough economist. George did write his book on capital mobility, which is concerned with capital and the rates of return to manufacturing.⁴² The conclusion of the book was this, capital moves around in response to differences in profit opportunities. I *think* this is very much to your point if I understand your question correctly. Like a lot of George’s work, this particular book is really showing that this is a better explanation of what happens than *other* explanations. Capital *does* move. It *is* responsive, even though there are differences in rates of profit. Taking account of this

as best we can, we see that capital is shifted around. It's not a perfect explanation, but it's a more useful hypothesis than the other hypothesis, which is that some industries make big profits and some industries make little profits and nobody's doing anything to change it. But connect that with Knight's work? I'm not a good enough economist to connect those two. I can't help you with that. It's beyond my ability.

Stigler did write his dissertation on theories of distribution. In his work, he doesn't explicitly talk about income distribution or redistribution policies to a great extent.

No. A little bit in the textbook.

A little bit.

Especially the last edition.

But what actually were his feelings? I would have the impression that he would be negative toward any sort of redistribution policy. Is that correct, or do you have any other idea?

I think that's correct. I don't know if he'd draw the line somewhere. He was certainly in general negative about the government redistributing income, either through subsidies, price manipulation, or regulations. Those are all implicit redistributions and he wrote a lot about that. He regarded the tax system, the progressive tax system which is explosive redistribution, in the same way. I think he was negative about *all* that stuff. Did he draw the line? Would he say that some redistribution was okay? Before he started on that 'paradox of legitimacy' thinking, how did he feel? Did he feel that a safety net, as we call it today, would be something he could compromise about? He might. He might take the position that if the public wants a safety net we should do it in the most efficient way. Again, this is before the 'paradox of legitimacy' which gets him into what *he* saw as a problem of circular reasoning. He would certainly say that if we must redistribute income we must think about using Milton's idea of a negative income tax, or doing it in some way that does not directly affect the relative efficiencies of various industries.

But did *he*, himself, see any *need* for it? The difference between....

Yes. If you brought it up he might agree with you, but I don't think he'd bring it up.

[laughs]

I mean, everybody has to distribute his resources, his limited brain resources in the ways that are important to him. George certainly wasn't straining his brain resources thinking about that, no. However, I'm sure that he'd say, "Fine, if that's the policy that we all agree that we ought to have, making sure that we don't want anybody starving in this country." I think George would say, "Let's do it in the most efficient and least misallocating way, by perhaps using vouchers or negative taxes." Maybe he would say he can't comment on these policies since he can't disagree with the public when they decide they want to protect some group. But, the way we were doing it, that was something he didn't like, until he started thinking about 'the paradox of legitimacy'.

I know that this is something you warned me *not* to ask you about, but what about the Austrian ideal of the 'entrepreneur'? I mean, George Stigler was very concerned with the market systems and the idea of the market rushing in.

Exactly how the market rushes in though is an issue. I mean, the market isn't something in itself. It's *people* rushing in.

Ah! Yes. Is it? I don't know. I mean, I agree with you, but go ahead.

But where in his structure....?

Where is the entrepreneur? Yes.

The von Misesan entrepreneur in his body of ideas?

Yes. The reason I interrupted you is because we're getting to that situation where if you grant Milton his premises, you are stuck with his conclusion. If I grant you that the market is really a bunch of entrepreneurs, maybe I've granted too much. Maybe George would say that, "If the times are right for something, if there is some opportunity there for somebody to correct an inefficiency and therefore make money, then even if half the entrepreneurs are asleep, somebody else will wake up." George was not a Great Man theorist. He is explicit about this in the various things he wrote. He didn't feel the Great Man theory could provide answers to movements in history.

No.

He felt that such changes are more or less inevitable because of what is going on at the time. If one person hadn't taken leadership somebody else would. If you're going to talk about one country having a great bunch of entrepreneurs and another country not, you should be asking, "Why? What is going on in *their* economy that develops entrepreneurs in that country and not in another." He's pretty sure that when you get done asking why, you would discover that there's some sort of incentive question embedded in that issue. That's one of the reasons he wasn't much of an Austrian. He had a different orientation from von Mises. The market to George was *not* market leadership. It was anybody who could make money by correcting a deficiency in the market.

Yes.

We have in this country a lot of very mobile capital. We have had a large, very active entrepreneurial class because that's part of our whole history. It's part of our social mobility and our more or less free market economy. We've inherited this entrepreneurial ability due to that very 19th century free market background. It's not because Americans tend to be innovative. It's nothing you're born with.

No. It's not like it's an inbred or hardwired sort of thing.

Yes.

Actually that answer brings me to the issue of institutions. When you're talking about history, path dependency, the development of institutions, which is all sort of imbedded in the explanation you just gave, where does George Stigler stand on those issues?

I think that was already included in what I just said. You can't just say that institutions explain something, you have to ask where those institutions came from. [laughs] They are the institutions that are appropriate to the situation at the time. Therefore, George wasn't much of an institutionalist, because it's begging the question, isn't it? To say that the institutional arrangement is responsible for some given result begs the question of "Why have we got it?"

It's not the explanation but it's....

It's *part* of the question. Why do we have the institutions that we have? Why are they dealing with this issue the way they do? What makes these institutions what they are?

If we have these institutions at a certain time, certain things are then possible, optimal etc. While, if we have a different set of institutions for a variety of other reasons, there's a whole different set....?

Oh, that reminds me of something George wrote about. A few times he wrote and spoke about deregulation. It must have been in the '80s, because it was during the Reagan period.

Yes.

He was delighted that we had deregulation but he said that "revulsion against regulation" was not the reason for the changes. He said the changes had already taken place because of market forces. For instance, the investment world had changed because of institutional trading, non-bank banking, and a million other things. Investors had already found a way around brokerage restrictions. The market had rushed in. You know how it is, if you close the door they come in through the window. The market had gotten around all that stickiness in the investment world. (He based this upon Gregg Jarrell's work.⁴³) In the same way, transportation had changed, and all the associated regulations had become obsolete. Finally, when they had already become obsolete, Reagan stepped in and took credit for the result. He deregulates, but it's after the fact because the market had by that time deregulated itself.

Yes.

This is very much appropriate to what you asked about institutions. You see, the institutions were just putting the stamp of approval on something that the market had done. I don't know if he was right or wrong. I'm just saying that is what he said it.

I understand.

Is this related to the Republican revolution or was the Republican revolution also a reflection of what was happening? I don't know.

You could argue that the way in which the market will react is constrained by whatever set of institutions there is, or in which it operates.

Yes. But I'm just saying that he went one step further and asked why we have them.

Oh sure.

The question of why we have them, which is relevant to the regulation and deregulation issue, is relevant to the institutions and the way that they change. We don't just *have* institutions.

No!

We have *new* institutions and institutions come and go. Everything changes. I *think* everything he said about regulation could be said about deregulation. I'm speaking for myself right now, not George.

Sure.

He certainly was a non-Institutionist. I have no question about that.

Certainly.

But having me talk about his views on institutions and regulations could be viewed, to a certain extent, as just me speaking for myself. But I do think that would be George's view.

I understand what you're saying. The clearest thing I can think of is the communications sector where firms have developed ways around regulations by creating a whole new set of technology.

There's a whole new world out there and the old electric utilities and telephone regulations have become so obsolete that deregulation, or at least re-regulation, was inevitable.

Yes, because at that point, trying to maintain the regulations became farcical. It just would mean that regulated industries with companies like AT&T couldn't survive within the old regulations because they were losing business...

Look at what happened with the Post Office. Eventually they had to go into the Fed-Ex business.

Yes.

The regulators did try. At the beginning, you couldn't send a letter by Fed-Ex. It had to be a package. I don't know when that rule changes, or how it changed. But today with our electronic revolution, *so* many institutions have become obsolete. Nothing could stand up under this onslaught. But that's been true all through history.

Of course. The railroad had an incredible disruptive period of restructuring, as has the telephone system and others. ... Well!

Have I not answered all your questions? [laughs]

No. You've answered them. You've answered them quite wonderfully.

I hope I'm not only speaking for myself. I do have this impression that I know what George thought Well, the only thing that I hope that will save us from the trap of thinking that Claire knew what George thought is that you've interviewed other people.

Yes.

Right? There's that mountain of evidence argument again. If the others don't agree with me, forget everything said, especially since some of those others might have known George better. A few of them not only knew George better, but they know more about economics than I do. So if I've made some mistake, I know that they will correct me.

Did George Stigler ever change his mind based on discussions you've had with him, do you think?

Oh, did *I* ever change George's mind?

Yes, did *you* ever?

I changed George's mind about technical points, about how we were going about measuring something. I guess because I was closer to the data. I think I have one letter from George (not to me, he'd never say this to me) to his secretary that said, "Tell Claire she's always right." We had had a little debate. He said we ought to do so and so. I said that was implicit in what we had done. He said, "No." I said, "Yes." He actually found out that I was correct. It was then that he wrote that letter. You don't

get a lot of letters like that from George! Did I ever change his mind about anything important? No, I don't think so. Occasionally I was *very* influential in editing his work. I did a lot of editing.

Aha.

I really developed my editing skills working with George. Most of it was just correcting grammar and punctuation and the like. George, of course, was a wonderful writer, but *I* was better at punctuation [laughs]. That was not his specialty. And I would occasionally convince him that his statement or something was not clear or not accurate. He very often would rely on me for that. I would talk him into explaining something in a different way or modifying his conclusion to be utterly consistent with what our data showed. But those are trivial things and I don't think I ever changed George's mind about anything of substance. He would have thought I was a crackpot, which I *am*. I'm a totally inconsistent crackpot, and George was a totally consistent doctrinarian, or whatever you want to call him, but not a crackpot.

Where do you think he got that sort of conservatism that he had, thorough, consistent, from top to bottom?

Oh, I don't know. He was top to bottom conservative.

From fedora to wingtips.

Just personality, I would say. In fact the fascinating thing to me is that he managed to get along with a lot of very eccentric people. They were part of his day to day life. This campus is full of eccentrics. A lot of them were good friends with George. George even had a few friends who were not arch-conservatives. Most of them were arch-conservatives, but a few weren't. How he got to be such a consistently conservative person, I have no idea.

He was already that way when you met him?

He was definitely already there and didn't change at all. In the old days we thought everything was environmental and now we think everything's genetic. I hope someday we get this straightened out.

Oh no, it's a pendulum, you know, opinion swings back and forth.

But the pendulum is swinging this time for technological reasons. If we hadn't found the double helix and if we weren't mapping genes, I don't think this pendulum swing would have taken place.

No.

I think it is really due to technology. Right now, everything looks like it's genetic. I mean, everyday when you read the paper you find they've found the gene for leaving the dresser drawers open, or throwing your socks under the bed, or hanging your clothes up on the furniture. I'm bringing these particular things up because these were the things my mother and I always argued about. She would say, "You leave the dresser drawers open because you've inherited it from your father's family."

All the bad things of course.

You hang your clothes on the back of the chairs; you've inherited that from your father. I used to tease my poor mother about that. But she'll turn out to be right.

Endnotes

¹ George Stigler never denied his own conservatism. “Since I am undoubtedly conservative, and only hopefully fair-minded, you should be warned against that perennial and not always intentional gambit, the restatement of an issue in such a way that it has only one defensible side” (Stigler, George J. (1975) “The Unjoined Debate”, in *The Citizen and the State*, Chicago, The University of Chicago Press, p.3). Whether Stigler successfully avoided this trap or not is, as he himself would agree, a matter to be decided through available evidence rather than by assertion.

² Coincidentally, George Stigler was a member of Brown’s economic department immediately after World War II but for only one year, 1946-1947 before accepting a position at Columbia University. He would have left before Claire Friedland arrived.

³ George H. Borts was in fact editor of *The American Economic Review* from 1969-1980. He received his PhD from the University of Chicago in 1953. He began his career at Brown University in 1950 and has been there since.

⁴ Claire Friedland here doesn’t intend to confirm that her interviewer is a Marxist but rather to state a generality as well as being a touch facetious.

⁵ The reference is of course to Joan Robinson who in 1932 wrote *Imperfect Competition*. Over the years Stigler and Robinson were quite naturally on opposite sides of the ideological divide with both being active warriors for their respective views. Naturally, his general view of Cambridge economics was less than sanguine.

Joan Robinson is here for a visit; I had my first view of her today. You’re a fool to leave Bobby and go to Corfu to see her (Letter from George Stigler to Robert Solow, April 20, 1961).

And then coming to Chicago ... in fact going anywhere except Cambridge ... would be a healthy stimulus to you. I am a strong believer in at least an occasional change of scene (Letter from George Stigler to Robert Solow, September 27, 1961).

However Stigler’s long running, two-way feud was with Edwin Chamberlin author of *Monopolistic Competition* also in 1932, despite the fact that Chamberlin was also very conservative politically.

Years later when I was a professor at Columbia University, I attended a meeting of the American Economic Association in Washington, D.C. and on the flight back to New York to my surprise I found myself sitting next to Edward Chamberlin. He opened the conversation, “you and Professor Knight are the two most mistaken economists I know on the subject of monopolistic competition.” Thank heaven it was a short trip (Stigler, George J. (1988) *Memoirs of an Unregulated Economist*. New York: Basic Books, p.58 ftm.1).

Unlike Robinson’s work on *Imperfect Competition*, which was more a logical extension of standard price theory, Robinson’s work was a clear challenge to standard equilibrium analysis. Thus in his five LSE lectures of March 1948, it was Chamberlin’s work that Stigler chose to conclusively attack, not that of Joan Robinson.

⁶ Claire Friedland’s reference here is to her work on the “Catalogue of the George Joseph Stigler Manuscripts in Special Collections, Regenstein Library, University of Chicago”. This catalogue with the catchy title can be found as Working Paper 101 (1994) of the *George J. Stigler Center For The Study Of The Economy And The State*.

⁷ Like data, George Stigler’s research doesn’t speak for itself. There is a wide range of views on whether empirical findings did shape his conclusions or whether the connection worked in a reverse fashion.

... he found that public regulation of power companies and the Securities and Exchange Commission don’t do (and sometimes subvert) what they were designed to do. Research and logic, he says, forced him to these conclusions. I can’t help noting, however, that Mr. Stigler’s research consistently leads him to discover that Government intervention in the market is not efficient and that the less Government interferes, the better off everybody will be (Krulwich, Robert (October 23, 1988) “Books & Business; Eggs, Friends and Economics” [Review of *Memoirs of an Unregulated Economist*], *New York Times*, <http://query.nytimes.com/gst/fullpage.html?>

⁸ Specifically this refers to “The Economic Effects of the Antitrust Laws” appearing in *The Journal of Law and Economics*. 9(October):225-258.

⁹ The address was given at the end of December 1964. By tradition it appeared in the March edition of the Association’s journal. Stigler, George J. (1965) “The Economist and the State”, *The American Economic Review*. 55(1): 1-18. In the speech itself Stigler, especially as he concludes, is more

reminiscent of an Old Testament prophet than a cold-eyed economist.

Fortunately you have learned that although such advice is almost inevitable on such occasions as the retirement of an officer of a professional society, it is worth heeding only when it is backed by successful examples. I have no reason to believe that you left your tough-mindedness at home tonight, and I shall respect it. I assert, not that we should make the studies I wish for, but that no one can delay their coming (p.18).

¹⁰ This was published posthumously in 1992. The exact citation is *Journal of Law and Economics*. 35(2): 455-468.

¹¹ These are two co-authored pieces (Stigler and Friedland). The correct citations are a 1975 publication: "The Citation Practices of Doctorates in Economics", *Journal of Political Economy*. 83(June): 477-507. The late piece appeared in 1979: "The Pattern of Citation Practices in Economics", *History of Political Economy*. 11(Spring): 1-20.

¹² Examples of this type of output would be a 1964 paper entitled, "Financial Intermediaries and the Allocation of Capital", which he presented at the Conference of the U.S. Savings and Loan League, in Chicago. Clearly this is an example of an invited paper outside his normal activity. Similarly a 1963 paper, "Policies for Economic Growth", presented at the American Bankers' Association Symposium in Washington D.C. also smacks of an invited paper which he would have been unlikely to write otherwise.

¹³ I had raised this issue with Claire Friedland in the case of Stigler's seminal 1971 work, "The Theory of Economic Regulation", *Bell Journal of Economics and Management Science*. 2 (Spring): 3-21. The article itself presents a tightly reasoned argument, but the empirical work is a disappointment, something of a damp squib. I later discussed the same problem with Stigler's protégé, Sam Peltzman.

¹⁴ The 1977 article in question, "De Gustibus Non Est Disputandum", co-authored with Gary Becker appeared in *The American Economic Review*. 67 (March): 76-90. This seminal work was controversial when published and has remained a source of controversy since. The referee reports at the time indicated the difficulty these readers had in understanding the point Becker and Stigler were trying to make.

¹⁵ Clair Friedland's all too short memoir appeared in the 1993 Memorial to George Stigler prepared under the editorship of Gary Becker in *The Journal of Political Economy*. 101(5): 759-863. Friedland's contribution, "On Stigler and Stiglerisms", pp.780-784 contains some prime examples of Stigler's mordant wit and is certainly the most amusing of a number of very interesting contributions.

¹⁶ The article appears in a volume honouring one of Stigler's PhD students, Mark Blaug. The reference is: Stigler, George J. (1991) "Direction of Economic Research", in Shaw, Graham K. (ed.) *Economics, Culture and Education: Festschrift for Mark Blaug*. Cheltenham, UK: Edward Elgar.

¹⁷ This is very reminiscent of remarks made by Adam Smith in his *Wealth of Nations*.

¹⁸ Examples would be: Stigler, George J. (1973) "Absurd Culprits: Professors Suppressing Freedom?", *Compact* 7(November/December):15-17 and Stigler, George J. (1973) "Thought Control on the Campus", *Chronicle Higher Education*. 7(August 13).

¹⁹ Stigler accepted their differences graciously, as is indicated in an off-hand remark. "She [Claire Friedland] is listed as co-author of one paper (chap.5), but in fact she is the full and indispensable co-author of every one of the empirical studies (chaps. 6,8, and 9), and only her different economic philosophy keeps me from blaming her for much of the remainder of the essays" (Stigler, George J. (1975) "Introduction", in *The Citizen and the State*, Chicago, The University of Chicago Press, p.xii).

²⁰ Claire Friedland refers to the very last book review Stigler wrote. It did not however look at Deirdre McCloskey's break out work on rhetoric (McCloskey, Donald N. [(1983) "The Rhetoric of Economics", *Journal of Economic Literature* 31(2): 481-517. This article was later extended into book length form in 1986, *The Rhetoric of Economics*, University of Wisconsin Press]. Instead, George Stigler's damning appraisal of rhetoric is of an edited volume, Klamer, Arjo; Donald N. McCloskey and Robert M. Solow (1988)(eds.) *The Consequences of Economic Rhetoric*. New York: Cambridge University Press. Stigler's short review appears in *Science* (1989) 244 (May 19): 839-840.

²¹ The reference here is to the seminal article: Stigler, George J. and Claire Friedland (1962) "What Can Regulators Regulate? The Case of Electricity", *Journal of Law and Economics*. 5 (October): 1-16.

²² The reference is to the well known article: Averch, Harvey and Leland L. Johnson (1962) "Behavior of the Firm under Regulatory Constraint", *American Economic Review*. 52(5):1052-1070.

²³ The reference here is to one of Stigler's most frequently cited papers: Stigler, George J. (1971) "The Theory of Economic Regulation", *Bell Journal of Economics and Management Science*. 2(Spring): 3-21.

²⁴ About half of the October 1993 edition of *The Journal of Political Economy* served as something of a memorial to George Stigler, a long time editor of the journal and one of the key founders of the post-

war Chicago School. Articles give testimony to his many contributions to the discipline. The reference is to the article written by one of Stigler's most noted PhD. Students, Sam Peltzman: Peltzman, Sam (1993) "George Stigler's Contribution to the Economic Analysis of Regulation", *The Journal of Political Economy*. 101(5): 818-832.

²⁵ The reference here is to a similar style paper on regulation: Stigler, George J. (1964) "Public Regulation of the Securities Markets", *Journal of Business*. 37(April): 117-142.

²⁶ This reference is to one of the cornerstones of monetarism: Friedman, Milton and Anna J. Schwartz (1963) *A Monetary History of the United States, 1867-1960*. Princeton: Princeton University Press.

²⁷ For readers unaware of the history of regulation in the US, the Interstate Commerce Commission (ICC) was created by the Interstate Commerce Act of 1887, which was signed into law by President Grover Cleveland. The agency was abolished in 1995, and the agency's remaining functions were transferred to the Surface Transportation Board. The initial impetus for its creation was an attempt to counter the then economic and political power of the railroad lobby. Passed soon after the creation of the ICC, the Sherman Anti-trust Act (July 2, 1890) requires the United States Federal government to investigate and pursue trusts, companies and organizations suspected of violating the Act. It was the first Federal statute to limit cartels and monopolies. Ironically, it was initially employed by President Grover Cleveland against labor unions.

²⁸ See endnote 10.

²⁹ In conversations with Ronald Coase himself, he raises doubts as to whether Stigler actually understood the thrust of his talk, unlike Al Harberger who was also at the same discussion. Stigler gives his succinct interpretation of the essence of Coase in a chapter of his memoir entitled 'Eureka'. Stigler, George J. (1988) *Memoirs of an Unregulated Economist*. New York: Basic Books.

³⁰ Claire Friedland's contribution to the memorial issue is Friedland, Claire (1993) "On Stigler and Stiglerisms", *The Journal of Political Economy*. 101(5): 780-783. The exact quote is, "He described externalities as that for which there are no transactions *at the present time*" (Friedland 1993:781).

³¹ There are two items here that George Stigler wrote in the last five years of his life that Claire Friedland thought was particularly relevant to this paradox: Stigler, George J. (1986) *The Regularities of Regulation*. Occasional Paper no. 3. Edinburgh: Hume Institute and Stigler, George J. (1989) *The Political Redistribution of Income* [Die politische Umverteilung des Einkommens]. Zurich: Bank Hofmann AG.

³² The reference to the magazine article is: Stigler, George J. (1952) "The Case against Big Business", *Fortune*. 45(May):123. This popular piece reflects his anti-monopoly testimony of two years prior: Stigler, George J. (1950) "Two Statements on Monopoly", *Hearings before the Subcommittee on the Study of Monopoly Power*. House of Representatives, Committee on the Judiciary, April 18 – May 11.

³³ The reference is to *Huron Portland Cement Co. v. City of Detroit* - Argued February 29, 1960, Decided April 25, 1960. The issue centered on whether the Smoke Abatement Code of the City of Detroit could be applied to the dense black smoke emitted by the Huron Portland Cement Co.'s ships while they were docked at the Port of Detroit.

³⁴ For those who are not film buffs, 'Mr. Smith Goes to Washington' is a 1939 Frank Capra movie starring Jimmy Stewart and Jean Arthur. It portrays a naïve young man who through a series of circumstances becomes a US Senator and subsequently does battle with the entrenched and corrupt special interests in D.C.

³⁵ In 1997, Robert Leeson had submitted a paper to *The Journal of Political Economy* which people at Chicago interpreted as an attack on George Stigler and Milton Friedman. Among other points, the paper did hold George Stigler responsible for the backlash against the theory of monopolistic competition. The paper itself was: Leeson, Robert (1997) "The Chicago counter-revolution and the sociology of economic knowledge." *Mimeo*, pp. 1-43. The paper was rejected by *The Journal of Political Economy* but later appears as: Leeson, Robert (2002) "The Chicago counter-revolution and the sociology of economic knowledge", *International Journal of Applied Economics and Econometrics*. 10 (1): 69. Sherwin Rosen, in 1997 an editor of *The Journal of Political Economy*, was particularly irate at the article. Ironically, Leeson would later become the literary executor of Milton Friedman's papers.

³⁶ His animus against, if not his obsession about, the kinked demand curve first came to the fore relatively early in his career: Stigler, George J. (1947) "The Kinky Oligopoly Demand Curve and Rigid Prices", *The Journal of Political Economy*. 55(October):432-449. However the specific work Claire Friedland is citing is a later attempt by Stigler to drive a final stake through the theory's hypothetical heart: Stigler, George J. (1978) "The Literature of Economics: The Case of the Kinked Oligopoly Demand Curve", *Economic Inquiry*. 16 (April): 185-204.

³⁷ The paper was presented at a major conference celebrating the 50th anniversary of the publication of

The Modern Corporation and Private Property by Gardiner Means and Adolph Berle published in 1932. *The Journal of Law and Economics* later published the presented papers. The particular paper referred to here is: Stigler, George J. and Friedland, Claire (1983) "The Literature of Economics: The Case of Berle and Means", *The Journal of Law and Economics*. 26(June):237-268.

³⁸ The exact quote is, "After all, if economists have rightly ignored it, and its main conclusions are found wanting, what are we doing here?" (North 1983:271). This is found in his comments: North, Douglas C. (1983) "Comment of Stigler and Friedland, "The Literature of Economics: The Case of Berle and Means"", *The Journal of Law and Economics*. 26 (June):269-271.

³⁹ Their particular contributions to the conference were later published as: Fama, Eugene F. and Michael C. Jensen (1983) "Separation of Ownership and Control", 26(June):301-325; Fama, Eugene F. and Michael C. Jensen (1983) "Agency Problems and Residual Control", 26(June):327-349; Klein, Benjamin (1983) "Contracting Costs and Residual Claims, the Separation of Ownership and Control", 26(June):367-374.

⁴⁰ Despite being a prolific writer, the work that certainly caught the public's eye and had the greatest impact was Hayek's *Road to Serfdom* published during the war (Hayek, Friedrich von (1944) *The Road to Serfdom*. Chicago; The University of Chicago Press). It was only through the influence of Aaron Director, Milton Friedman's brother-in-law and a man who greatly influence Stigler's thinking, that the book was published in the US at all. However, a condensed version of the book written by Max Eastman was then published as the lead article in the April issue of Reader's Digest, with a press run of several million copies. This condensed version was then offered as a Book of the Month selection with a press run of over 600,000 copies. In February 1945 a picture-book version was published in *Look* magazine, later made into a pamphlet and distributed by General Motors. It soon became something of a bible for the revived political right-wing reacting against the rise of the socialist and communist movements.

⁴¹ The confusion between Illinois and Tennessee is understandable. Frank Hyneman Knight (November 7, 1885 – April 15, 1972) was born in McLean County, Illinois in a devoutly Christian family of farmers. The confusion comes in that he moved to Tennessee for his tertiary education. He graduated in 1911 from Milligan College in Tennessee. At the University of Tennessee he obtained a B.S. and an M.A. (the latter in German) from the University of Tennessee in 1913. He would then move to Cornell University where he would gain a PhD in 1916 under the direction of Allyn Young and Alvin Johnson.

⁴² The reference is: Stigler, George J. (1963) *Capital and Rates of Return in Manufacturing Industries*. Princeton, New Jersey: Princeton University Press (for NBER).

⁴³ The specific reference is: Jarrell, Gregg A. (1984) "Change At The Exchange: The Causes And Effects Of Deregulation", *The Journal of Law & Economics*. 27(2): 273-312.