Identifying a “Chicago School” of Economics: On the Origins, Diffusion, and Evolving Meanings of a Famous Brand Name

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The Legacy of Chicago Economics
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Introduction

“To economists the world over, ‘Chicago’ designates not a city, not even a University, but a ‘school.’ The term is sometimes used as an epithet, sometimes as an accolade, but always with a fairly definite—though by no means single-valued—meaning. In discussions of economic policy, ‘Chicago’ stands for belief in the free market as a means of organizing resources, for skepticism about government intervention into economic affairs, and for emphasis on the quantity of money as a key factor in producing inflation. In discussions of economic science, ‘Chicago’ stands for an approach that takes seriously the use of economic theory as a tool for analyzing a startlingly wide range of concrete problems, rather than as an abstract mathematical structure of great beauty but little power; for an approach that insists on the empirical testing of theoretical generalizations and that rejects alike facts without theory and theory without facts.” (Friedman 1974, p. 3)
The Questions

• Is there a “Chicago school”?
• What defines the “Chicago school”?
• Continuity and change …
• Membership?
• The voluminous literature:
  • Miller-Bronfenbrenner-Stigler (*JPE* 1962)
  • Patinkin (1981); Reder (*JEL* 1982)
  • Freedman (2008); Van Overtveldt (2009); Emmett (2010); Van Horn *et al.* (2011); Ebenstein (2015) …
An Unanswered Question

- What are the origins of the brand name, “Chicago school”? 
  - Internal or external?
  - Professional perceptions of a distinct brand
  - Content/meaning attributed to the term prior to Miller (1962)
A Chance Encounter …

I do remember this incident about the Chicago School. During the War (WW II), I believe in 1941 although it may have been early in 1942, I met Jacob Viner in Bassin’s Delicatessen, Pennsylvania Avenue, NW near 14th Street, in Washington. He asked me what I was doing. I replied, callowly:

“I’m working at the OPA. They don’t have much use for the Chicago School there.”

To which he responded:

“Chicago School, Chicago School! What’s that? I’m not a member of it.”

That struck me at the time as evidence of his desire to distance himself from Knight, Simons and some others. Did I then invent the term “Chicago School?” If I did, wouldn’t he have said; “I never heard of it.” [sic] rather than “I’m not a member of it?” (Stein to Stigler, January 11, 1988)
Origins in the Literature

- Stigler (*JPE*, 1949); Bronfenbrenner (*Annals*, 1949; *AJES*, 1950)
- Director (1948); McDonald (*Fortune*, 1950)
- A term that seems to have been “in the air”
Chasing Origins

- Stigler: No Chicago school prior to the 1950s
- Bronfenbrenner: “Not long after I left the midway” (1939)
- The ‘Chicago Plan’?
- The OPA?
  - The accuracy of Stein’s memory
  - Stein, Stigler, Galbraith, Ackley, Tobin, Baumol
Diffusion I: Frequency

The importance of Friedman (1956) and Chamberlin (1957).
## Diffusion II: Locations

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# Diffusion III: Membership

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<td>T.W. Schultz</td>
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Characterizing a “Chicago School”

- Monetary economics and policy
  - “Chicago Plan”—Simons
  - Quantity Theory—Friedman

- Agricultural economics
  - Over-investment in labor and under-investment in technology (Schultz et al.)

- The market and the state
  - Opposition to governmental controls
  - Laissez-faire, liberalism, and neoliberalism
IDENTIFYING A 'CHICAGO SCHOOL' OF ECONOMICS

Characterizing a “Chicago School”

• Unions and inflation
  • Union neutrality (Friedman, Stigler)
  • Union inefficiency (Simons, Rees)

• Price theory
  • “Anti-monopolistic competition”
What Emerges from the Story

- Uncertain origins … OPA?
- Clear existence by late 1940s
- From self-identification to pejorative
- The absence of stabilized meaning
- The perceived heterogeneity within Chicago
  - Two generations, or two schools?
  - The leadership of Simons and Friedman