

A Year of Transition: Faculty Recruiting at Chicago in 1946

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The year 1946 has been seen as a pivotal year of transition by historians of the Chicago Economics Department, in large part due to the arrival of Milton Friedman that year. This essay examines new evidence on department deliberations on faculty hiring in February of 1946. It argues that Friedman's recruitment reflected a compromise between Frank Knight and his followers on the one hand and those associated with the Cowles Commission on the other.

The year 1946 was an important one of transition for the Economics Department at the University of Chicago according to various standard accounts (Reder 1982, 9-10; Stigler 1988, 150; Emmett 2002, xix).^{*1} Jacob Viner left for Princeton in March of that year, and T.W. Schultz

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took over as department chair, in which position he was to provide effective leadership for the next 15 years.² Key personnel decisions in this transition were made in February. The outcome for the department could have been quite different if certain actual offers were accepted or if other alternatives had been pursued. Thus, before any offer was made to Milton Friedman, offers were approved by the department not only to George Stigler but to John Hicks and Albert Hart. Moreover although often not appreciated, Friedrich Hayek was also proposed for a faculty position in the department that same February. There was also considerable enthusiasm for recruiting Paul Samuelson as well as Lionel Robbins; at various points both actually were approved for offers from the department. Suppose that in fall of 1946, the new additions to the department had included John Hicks, Lionel Robbins, Friedrich Hayek, and Paul Samuelson rather than Friedman and Roy Blough, the actual new hires. The direction of the department would almost surely have been dramatically different in ensuing decades.

Both Reder (1982, 10) and Stigler (1988, 150-51) emphasize Friedman's leadership role in the formation of a Chicago School of Economics. Reder notes that Friedman assumed leadership of the faction of the department previously associated with Frank Knight and that his debating skills and substantive arguments "set the tone and public image of Chicago economics

Papers. I would also like to thank Stanley Engerman for his assistance in locating items in the correspondence of W.Allen Wallis.

¹ Emmett (2002, p.xix) in the introduction to his edited collection of articles by Chicago economists notes that his compilation appropriately ends with items published before 1945 because that year marks a key transition.

² The obituary for Schultz published in the University of Chicago Chronicle of March 5, 1998, vol.17, no.11 indicates that he was department chair from 1946 to 1961.

for at least a quarter century.” Stigler points to Friedman’s invigoration of monetary economics as a research and policy area, his cogent arguments for laissez-faire policies and related innovative policy proposals, and his effective teaching of the core graduate price theory course in the department.

In explaining personnel decisions in this pivotal year, Reder (1982, p.10) argues that by 1944 “a fairly intense struggle was underway between Knight and his former students on the one side and the Cowles Commission and its adherents on the other,” reflecting differences over research methodology and political ideology as well as over faculty appointments. Reder (1982, pp.9-10) notes that in “the early to middle thirties, a small group of Knight’s students (including Simons, Director, and Mints) began to function in a loosely coordinated fashion to advance their common ideas. Many of these ideas were inspired by Knight, though he did not consistently espouse them.” Knight (1952) himself opined “I think there actually is a tradition in the economics group at Chicago to lean in the direction of free enterprise and of freedom rather than the opposite direction.”(Director 1952, 295. The other faction noted by Reder (1982, p.10) was set in motion with the arrival of the Cowles Commission in 1939, due to the decision of Alfred Cowles for family and business reasons to relocate from Colorado to Chicago and to arrangements he was able to work out with the Hutchins administration to affiliate this research operation with the university. Further impetus came from the energetic leadership Jacob Marschak provided when he was appointed Research Director of the Commission in 1943.³

Other accounts emphasize the diversity of views present in the department throughout the 1940s (Bronfenbrenner 1962, Stigler 1962, Burgin 2012). Such accounts often view Friedman’s

³ On the relocation of the Cowles Commission and Marschak’s appointment as Research Director see Christ 1952, 18, 20, 25.

arrival as a central turning point without explaining the decision to hire him (see for example Stigler 1988, p.150). Recently, van Horn and Mirowski (2009) have articulated a provocative influential account that dismisses Knight as someone who could not “have successfully organized a weekend picnic, much less a major transnational intellectual movement.” They point to “Friedrich Hayek’s pivotal role in getting the Chicago School up and running by the fall of 1946” due in large measure to the influx of funds from the ultra right wing, pro-business William Volker Charities Fund with Milton Friedman surfacing by their account in 1962 as an “intellectual for hire” of the Fund with the publication of his *Capitalism and Freedom* as a “corporate neoliberal version of *Road to Serfdom*” (Van Horn and Mirowski 2009, 158, 166, 168).⁴

This essay will examine the deliberations that led the department to offer a tenured appointment to Milton Friedman which resulted in his arrival in the department in Fall of 1946. Rather than reflecting the conservative, free market, pro-business elements that putatively brought Friedman and Hayek as well to Chicago proposed by van Horn and Mirowski, it will be argued here that further examination of currently available archival evidence suggests that Friedman was actually a compromise candidate between the recognized rival factions within the department identified by Reder, that associated with the Cowles Commission led by Jacob Marschak on the one hand and that led by Frank Knight and his protégés on the other.

February, 1946 Deliberations

On January 31, Frank Knight sent out an urgent letter to his absent colleagues, Paul Douglas, Oskar Lange, and John Nef, informing them that not only had the current department chair, Simeon Leland resigned, but that the department’s most prominent scholar, Jacob Viner

⁴ For the history of the Volker Charities Fund see McVicar 2011.

would be leaving the department in March first to visit England and then for a permanent position at Princeton. Consequently, Knight reported, there had been a flurry of recent meetings by department faculty to discuss filling not only Viner's position but a number of other possible openings in the field of economic theory. Knight's letter reported that Lionel Robbins was the leading candidate to replace Viner in the International area while Hicks and Stigler had been proposed to take over from Viner in theory and teaching Economics 301, the core graduate price theory course. Milton Friedman, A.G. Hart, Paul Samuelson, F.W. Fetter, LeRoy Stinebower, and Roy Blough were also mentioned by Knight as possible candidates for various faculty slots.⁵ The day after Knight's missive, Jacob Marschak sent a letter to the same absent group of three with his own alternative depiction of proceedings and rankings of candidates.⁶ Following Reder (1982, p.10), the differences evidenced in recommendations on faculty appointments considered below can be seen as reflecting differences in both political ideology and research methodology between Cowles Commission affiliates on the one hand and Frank Knight and his followers on the other.

There was a reasonably clear right versus left split between the two groups in political ideology. The Knight group, composed based on voting patterns reported below of Knight, Simons, Mints, and Lewis, shared some degree of faith in free markets and distrust of excessive concentration of power whether in government, business corporations or labor unions.⁷ While

⁵ See Online Appendix, item 3 for a transcript of Knight's letter.

⁶ For the transcript of Marschak's letter see item 4 in the Online Appendix.

⁷ While Lewis may seem a surprising member of the Knight group, he was a close friend of Henry Simons and wrote an obituary for Simons in the 1946 *American Economic Review*. See

by 1946, both Marschak and Koopmans of the Cowles group seem to have moved away from the socialist and Marxist involvements of their younger days, they both thought that the economy-wide econometric models they were developing could assist with postwar government economic planning and more generally can be seen as supporting activist government monetary and fiscal policy.⁸In research methodology, the Cowles group favored a formal, mathematical approach to economic theory employing a Walrasian, general equilibrium framework. But it was also centered on empirical testing and estimation albeit with developing a structured, statistical approach to doing so, employing multi-equation models. The Knight group was Marshallian in its approach to economic theory, pursued more informally with emphasis on policy applications, albeit the Marshallian influence is more directly attributable to the soon to depart Viner than to Knight himself. Knight had little use for empirical work in economics, nor were Simons and Mints active in this dimension.⁹ However, H.Gregg Lewis, a perhaps surprising member of the group given his previous affiliation with the Cowles Commission was renowned for his “craftsmanlike” empirical work (Biddle 2010, p. 297; also see Biddle 1996).

[Table I about here]

Lewis 1946. The resonance with Simons distrust of powerful groups is evident in Lewis 1951. On Lewis’ friendship with Simons see Biddle 1996.

⁸ Koopmans would have been influenced in this regard by his mentor, Jan Tinbergen. On Marschak’s interest in planning see Mirowski 2012, 146 citing Lawrence Klein’s assessment. For further comments on Marschak’s interests in Keynes and social engineering see the biographical statement on Marschak in the Online Appendix.

⁹ On Knight’s disdain for empirical work in economics see Knight 1944 and Mirowski and Hands 1998.

At the Feb. 11, 1946 Department meeting, 12 people cast votes.¹⁰

Of these, four can be classified as part of the Knight group, based on their voting patterns: Frank Knight himself, Lloyd Mints, Henry Simons, and H.Gregg Lewis. Two were members of the Cowles Commission, Jacob Marschak and Tjalling Koopmans. The remaining 6 can be roughly grouped by their sub-disciplinary specialties and research center involvements. This includes an Industrial Relations Center group composed of Frederick Harbison and Robert Kenneth Burns and an Agricultural Economics group composed of T.W. Schultz, D.Gale Johnson, and William Hord Nicholls. The remaining person and lone woman in the department and at the meeting at this time was Hazel Kyrk, Professor of Economics and Home Economics.¹¹

In addition, the votes of the three absent colleagues were also requested and obtained by telegram for a final tally of the vote.¹² Of the three, John Nef, the economic historian can be classified as independent. Oskar Lange was officially affiliated with the Cowles Commission at various points in the 1940s while Paul Douglas can also be seen as having sympathies with Cowles both in political leanings and research methodology.¹³

At the February 14, 1946 department meeting, Schultz reported the final results of the voting including the votes of Douglas, Lange, and Nef on the theory list of candidates. The

¹⁰ For biographical information on department faculty voting on Feb. 11 see item 1A of the Online Appendix.

¹¹ University Announcements for 1945-46 also list Mary Barnett Gilson as Assistant Professor Emeritus of Economics in the College.

¹² For the communications of Schultz with the absent colleagues see item 19 in the Online Appendix.

¹³ See the biographical statements on Douglas, Lange, and Nef in the Online Appendix item 1A.

minutes report, “The final tabulation of the rating showed Hicks definitely in the first position, Hart in the second position, and Friedman, Samuelson, and Stigler close together.” Borda counts were employed in making tabulations (See Table 1). Subsequent voting (including rankings by Douglas and Lange, Nef made no ranking other than Hicks) “showed Stigler first (of the three), Samuelson second and Friedman third.” Finally, Mints moved and Knight seconded a motion that the department offer appointments to Hicks, Hart, and Stigler; the motion was approved and the meeting adjourned.

The Five Finalists (in order of ranking by department voting)¹⁴

John R. Hicks

John Hicks was clearly the overwhelming first choice in the Feb.11 voting, receiving 11 first place votes out of 15 cast (including the three absentee votes). However, the Knight group en bloc clearly ranked Hicks much lower, with all four (Knight, Mints, Simons, and Lewis) ranking him 4th out of 5. The rival letters sent out by Knight on January 31 and Marschak on Feb. 1 show the different perspectives on Hicks versus Stigler to replace Viner as theorist and to teach Economics 301, the core graduate price theory course. Knight states:

“On the theory side, Viner suggests George Stigler, but he is opposed by a minority of the group in favor of J.R. Hicks”

(Knight evidently appears to have been wrong as to Hicks only drawing minority support).

Marschak notes how

my impressions differ somewhat from those of Knight. This applies in particular to the question of the relative merits of Hicks and Stigler.

¹⁴ For biographical information on the short listed candidates see item 1B in the Online Appendix.

My impression is that, while granting that Stigler would be a good teacher of the course 301, there was little disagreement on the superiority of Hicks as a leader and discoverer of pushing the frontiers further; and there was evidence of Hicks having been a very inspiring teacher when at the London School. My impression was therefore that Hicks was regarded by some of us as the man to be put at the top of the list, or possibly after Robbins....

The choice between Stigler and Hicks can be seen as one between Chicago price theory, as in Stigler's 1942 text, *The Theory of competitive Price* and the more formal approach to microeconomics reflected in Hicks' 1939 landmark *Value and Capital*. While Simons in his detailed 1945 and 1946 memos on recruiting makes no mention of Hicks for a theory position, the department overall overwhelmingly opted for the formal approach as embodied by Hicks. However, the high ranking accorded Hicks by many of the applied economists in the department such as Kyrk, Harbison, Johnson, and Schultz could have reflected appreciation for Hicks' intelligence and originality rather than his formal methodology.

Hicks was readily made an offer in February of 1946 but Schultz reported at the February 27 department meeting that Hicks had cabled that he was not available "at present" . The department and university persisted in trying to recruit Hicks when he and his wife visited the University for lectures in Fall of 1946 but it soon became evident he would not be available for a permanent position. That year, he took a position at Oxford where he served until his retirement.

Albert Gailord Hart

The department's clear second choice was Albert Gailord Hart though the rankings suggest that this was a compromise. Hart received no first place votes.. Hart would have been well known to department members, having received his PhD from the department in 1936, then staying on as

instructor through 1939. Schultz and Johnson would further have overlapped with Hart while he was at Iowa State between 1939 and 1942. Hart's dissertation and first publications were in the area of economic theory but he had also worked on monetary and banking topics and had recent policy experience with the United Nations and the Committee on Economic Development.¹⁵ Department minutes for the March 19, 1946 meeting indicate that Hart had already made a commitment to teach for at least a year at Columbia prior to receiving a formal offer from Chicago. Hart was unwilling to renege on this commitment and indeed spent the rest of his career at Columbia.

George J. Stigler

The remaining offer in the first round in February of 1946 was to George Stigler. Stigler was the clear first choice of the Knight group. Knight, Mints, and Lewis all ranked him in first place while Simons ranked him equally with Friedman and Hart. However, the remainder of the Department seemed at best lukewarm if not outright cool in their rankings. Schultz, who served as his department chair for the two years Stigler was at Iowa State, interestingly ranked him fourth. Knight and Viner both apparently agreed that Stigler would be the best replacement for Viner to teach Econ 301 and even Marschak conceded in his Feb. 1 letter that Stigler would be good for this purpose. While in his actual vote, Simons ranked Stigler equally with Friedman,

¹⁵ Simons interestingly ranked Hart equally with Friedman and Stigler and in his undated memo argues that each of the three would bring something distinctive to the department but also that Friedman and Stigler together might substitute for Hart. In his August 20, 1945 memo, Simons suggests that Hart could be put forward to replace Mints on Mints' retirement, thus putting Hart in the monetary area.

his memo of August 20, 1945 displays considerably more overt enthusiasm for Friedman than Stigler.¹⁶

The department's job offer to Stigler was famously vetoed by the university's central administration. Stigler claims that Ernest Colwell, the President with whom he met because Hutchins was ill that day, found Stigler too empirical (Stigler 1985, 40). In fact, Colwell reports the following about his interview with Stigler in a Feb. 22, 1946 memo to Hutchins:

Schultz brought in George Stigler in Economics. He was educated here in classical theory economics. He has moved towards empirical economics since. He is well educated. He is intelligent. But he is not brilliant for my money and I think he lacks the drive of either Viner or Schultz or the really strong men in the field. (OPHAUC, Box 73, Folder 2).

Colwell's thus at least stated objection was not to Stigler's empiricism but that he just did not find Stigler that strong an addition to the faculty.¹⁷

¹⁶ For further discussion of views of department faculty on Stigler see the biographical statement on Stigler in the Online Appendix item 1B.

¹⁷ Friedman in his March 3, 1946 letter to Arthur Burns notes "the strong negative reaction" of Colwell to Stigler based on Colwell's interview with Stigler. Friedman also notes that Knight suspected Schultz of being at best lukewarm about Stigler. In this same letter, Friedman notes that Schultz had told him that Hutchins had been very favorably impressed by Friedman's interview with Hutchins. Friedman at this time could be viewed at least as empirical as Stigler. Friedman's letter to Burns is reproduced in item 8 of the Web Annex for this paper. Friedman in an April 9, 1946 letter to W. Allen Wallis states about Stigler's interview with Colwell, "I got

Simons' early 1946 memo was prescient with regard to Stigler. After noting the agreement of Knight and Viner on an appointment for Stigler, he goes on to argue, "Action in this case seems urgent; Stigler would not be hard to move from Minnesota; but he is likely to be offered posts from which he might not be easy to move." Stigler in fact went on to Brown for a year and then Columbia. Despite serious attempts approved by the central administration to recruit him in 1949 and 1951, it was not until W. Allen Wallis as Dean of the Business School arranged for Walgreen funds to set up a very well endowed chair, that Stigler was attracted back to Chicago in 1958.¹⁸

Paul A. Samuelson

With Stigler, Hart, and Hicks all off the table by the end of February, that left Samuelson and Friedman in the department's action plan for recruiting in the theory field. Although in voting at the February 14 meeting, Samuelson was ranked ahead of Friedman, arrangements were made first to invite Friedman to visit the university as noted in minutes for February 27. Marschak complained in his February 28 letter to Chancellor Hutchins that Schultz agreed to invite Friedman for a "lookover" prior to any invitation to Samuelson because of Friedman's limited publication output and presumably more limited familiarity to department faculty.¹⁹

from Schultz indirectly the impression that George may have misread Colwell, and have taken some remarks he meant ironically and to draw George out as serious." Letter located in W.Allen Wallis papers, University of Rochester Library, Box 10, Folder 12.

¹⁸This is an especially salient example of Wallis' contribution to the formation of the Chicago school after 1946 through his business school leadership.

¹⁹ For the transcript of Marschak's memo see item 9 in the Online Appendix.

The minutes for March 19, 1946 note that Friedman was well received in his meeting with the Central Administration and that a motion was made by Harbison and seconded by Knight to both make an offer of appointment to Friedman and to invite Samuelson for a visit. Samuelson did visit the campus in April, but it appears that both Knight's opposition and Hutchins' unfavorable reactions to Samuelson's personality may have delayed an actual offer by the university to Samuelson until February of 1947.²⁰

Despite having his undergraduate degree from Chicago, Samuelson's candidacy was especially controversial. In the overall vote totals, Samuelson came out as fifth, but in the runoff between himself, Stigler, and Friedman, Samuelson came in ahead of Friedman. All four members of the Knight group ranked Samuelson as 5 out of 5, as did Hazel Kyrk and Harbison. On the other side, the Cowles group and affiliates (Marschak, Koopmans, Lange, and Douglas) along with Schultz all ranked Samuelson as 2nd after Hicks. Friedman's letter on recruiting to Arthur Burns notes strong opposition by Knight, Simons, and Mints to Samuelson.²¹

The opposition to Samuelson seems to have been grounded as much in perceptions of his activist and Keynesian approach to government economic policy, and his arrogant personality as on his formal, mathematical approach to economic theory or his technical approach to applying theory to policy issues.²² One indication of this is that in his advocacy of Samuelson to

²⁰For further discussion of efforts to recruit Samuelson see Maas 2014 and the biographical statement on Samuelson in the Online Appendix.

²¹ Letter from Friedman to Arthur Burns dated March 3, 1946 located in AFBUDU, Box 1. Folder of correspondence Friedman to Burns, 1940-1969.

²²For further discussion of opposition within the department to hiring Samuelson see the biographical statement on Samuelson in the Web Annex. Also see item 11 in the Online

Chicago's Central Administration, Marschak suggested contacting four outside referees whom he explicitly identified as "non-Keynesians" while explicitly excluding Alvin Hansen on the grounds that the latter was a "leading 'Keynesian.'"²³

On the other side, in making his case to Hutchins, Marschak described Samuelson as "a most powerful system builder...Samuelson's numerous publications show the mark of creative genius and leadership."²⁴ Also Schultz as Department Chair told President Colwell in September of 1946 in his continued effort to recruit Samuelson that "it was my judgment that Samuelson is one of the younger men in economics who has a high probability of a distinguished career as an economist, and that in this respect his promise is most outstanding."²⁵ Subsequently, the majority in the department clearly wanted to hire Samuelson. Despite elements of strong opposition from

Appendix, Marschak's "coaching" letter to Samuelson prior to his March, 1946 Chicago visit and item 13 in the Online Appendix, Schultz' memo to Colwell regarding Samuelson. Friedman in his July 23, 1946 letter to W.Allen Wallis claimed that Marschak's push for Samuelson stemmed from Marschak's preference for "quasi-mathematical analysis of a Keynesian ...type." See the excerpt of this letter in item 12 in the Online Appendix.

²³ Memo from Marschak to Hutchins dated February 28, 1946 located in OPHAUC Box 73, Folder 2. Note that this is separate from the letter Marschak sent to Hutchins with the same date. The four "non-Keynesian" referees Marschak suggested were Joseph Schumpeter, Seymour Harris, and W. Leontieff, all of Harvard, and E.A. Goldenweiser of the Federal Reserve Board.

²⁴ Letter from Marschak to Hutchins dated February 28, 1946 located in OPHAUC Box 73, Folder 2.

²⁵ Schultz' notes on his meeting with Colwell located in UC DERUC Box 42, Folder 3.

within the department, the reason Samuelson was not recruited was on the supply side not the demand side. He turned down offers from Chicago in both 1947 and 1949 (Maas 2014).

Milton Friedman

Friedman offered the following assessment of his prospects at Chicago in a March 3, 1946 letter to his mentor from his Rutgers days, Arthur Burns:

The stand on me seems to be that there is no one in the department who opposes me, but most everyone would put someone else higher in the priority list, though each of these in turn would be put lower in still other lists. My main supporters are apparently, Simons, Mints, Knight, Lewis, surprisingly enough Hazel Kyrk, within the department, and Hart, Yntema, and Viner outside. Marschak is favorable but would prefer Samuelson.... Everyone is pretty much agreed on Hart, some are very lukewarm to Stigler and Hicks, but none are strongly opposed to them. Knight and Mints after talking with Schultz after the talk with Hutchins, seem convinced that my appointment will unquestionably go through....²⁶

Friedman's depiction of his candidacy as something of a compromise between various alternative candidates and factions seems supported by the actual vote totals from the February 11 meeting and absentee votes. Friedman was the second choice of everyone in the Knight

²⁶ AFBPDU Box 1, Folder of Correspondence Friedman to Burns, 1940-1946. See the Online Appendix item 8 for a transcript of this letter.

group (though Simons ranked him equally with Stigler and Hart) as well as Hazel Kyrk, whom Friedman describes as a surprising supporter. Among the Cowles group Marschak ranked him at 3.5 along with Hart while Koopmans ranked him at 3. Robert Burns also ranked Friedman at 3. However, Lange ranked him only at 4 as did Harbison and Douglas put him at 5. Interestingly, Schultz went from an “insufficient knowledge to rank” assessment in the intermediate earlier vote to put Friedman at 5 as well while his agricultural colleagues, Nicholls and Johnson maintained their agnostic position from the earlier intermediate vote.²⁷

In an August 20, 1945 memo Henry Simons states, “If Lange is leaving, we should go after Milton Friedman immediately.” After noting the difficulty of choosing between Friedman and Stigler, Simons goes on to note the range of Friedman’s strengths and contributions as a potential colleague:

Friedman is young, flexible, and available potentially for a wide variety of assignments. He is a first-rate economic theorist, economic statistician, and mathematical economist, and is intensely interested over the whole range of economic policy...Perhaps the best thing about Milton, apart from his technical abilities, is his capacity for working as part of a team. He is the gregarious kind of intellectual, anxious to try out all his ideas on his colleagues and to have them reciprocate. He would doubtless be

²⁷ Friedman indicates in his March 3, 1946 letter to Arthur Burns that after his February 1946 visit to Chicago, Knight and Mints reported to Friedman that Schultz was now “pretty well sold” on Friedman, having never met him before. See item 8 in the Online Appendix for a transcript of this letter.

worth his whole salary, if he neither taught nor published, simply for his contribution to other people's work and to the Department group as a whole. But he is also intensely interested in teaching, and far too industrious not to publish extensively. Our problem would be not that of finding ways to use him but that of keeping him from trying too many tasks and, especially, of leaving him enough time for his own research.

Marschak, in his Feb.28, 1946 letter to Hutchins already cited above, argued in favor of hiring both Friedman and Samuelson and indicated that his proposal to the department "was to invite both men, not as competitors, but as candidates for two positions."²⁸ Marschak argues that the two would be complementary:

If we get both Friedman and Samuelson, we shall have at Chicago a most formidable team. Our University will then easily compete with Cambridge whose economics has grown great because of another pair of opponents (Pigou vs. Keynes)...For once, economics in its really important problems will be advanced by responsible and clear thinking and vigorous testing, and not by glorified politics and ill-reasoned axe-grinding. [underlining in original]

Of the two men, Samuelson is a most powerful system-builder, Friedman a strong critic of detail. Both are extremely intelligent. "Samuelson's numerous publications show the mark of creative genius and leadership. Friedman has published little of note, presumably because of the deadening atmosphere of crass empiricism (at the National

²⁸ For the transcript of Marschak's memo to Hutchins see item 9 in the Online Appendix.

Bureau) in which he spent his last 10 years; and because he indulges in destruction more than in construction. He thus became a collector of economic tit-bits (his contributions to statistics proper are more interesting, and his role during the war in the development of mathematics of quality control quite remarkable).

Marschak fully perceived Friedman as having free market ideological commitments, but argued that this meant that the joint appointment of Friedman along with Samuelson would serve to maintain the current ideological (im?) balance within the department:

It so happens that Friedman is an obstinate partisan of the old tradition, so that the appointment of both men will just preserve the present dis-equilibrium. Since both are sincere thinkers and not shallow politicians, a hearty controversy between them will not do the harm it usually does between men who have more respect for faith than truth, and who refuse to face an argument if it threatens to lead to unpleasant conclusions.

In a summary for the Chicago Central Administration, of a conversation that Marschak had with Reuben G. Gustavson on department faculty appointments dated February 19, 1946, Gustavson first lists Hicks, Samuelson and Smithies as possibilities mentioned by Marschak. At the end of his memo, Gustavson noted that “Professor Marschak also thinks very highly of Milton Friedman who is a graduate of the University of Chicago” (located in OPHUAC Box 73, Folder 2. Thus while in both communications with Central Administration, Marschak conveyed

a preference for Samuelson, he also seems to acknowledge Friedman's acceptability for a faculty appointment in the department.

In contrast, the two memos that can be attributed to Henry Simons on faculty recruiting, one dated August, 1945 cited above and another probably written by Simons in late January or early February of 1946 make no mention of Samuelson as a possible appointment for the department. Interestingly, in his August 1945 memo to then chair Leland, Simons hints at the possibility of Friedman as a compromise candidate by noting that

The obvious long-term arrangement is a joint appointment with the Cowles Commission. Marschak would, I am sure, like to have him; and Milton would like to settle with a major project of empirical research, e.g., on enterprise size and productional [sic] efficiency.

The memo likely by Simons written in early 1946 states"

Friedman is, I think, the most talented and promising of younger economists. His technical equipment (mathematical economics and statistics) is superlative. But Friedman has also an inordinately catholic interest in the whole range of economic policy and mature judgment on policy problems. Unlike other persons with comparable technical skills, he remains primarily interested in real policy problems and in political economic philosophy.

It was arguably this mix of technical skills and serious policy interests that made Friedman viable as a compromise candidate in February of 1946 garnering support from Marschak and Koopmans of the Cowles Commission as well as Frank Knight and his protégés.

Minutes for the March 19,1946 meeting exhibit the complexity of the recruiting process and the number of names in play. Schultz noted that Roy Blough had already accepted the department's offer and that Central Administration was enthusiastic about an appointment for Lionel Robbins should he be available. Then "Schultz informed the Department that Milton Friedman was well received in his interview with the Central Office of Administration." Frederic Harbison then moved and Knight seconded both a recommendation of an offer to Friedman and to invite Samuelson for a visit. The department voted unanimously in favor and it was agreed to recommend offering Friedman an Associate Professorship with tenure. Friedman of course accepted this offer.

Department consideration of Hayek in both 1946 and 1948.

Friedrich Hayek's name was also floated for a faculty position in the Department in February of 1946, though this has subsequently been given far less attention than supposed consideration of him by the department in 1948 and his subsequent appointment beginning in 1950 on the Committee on Social Thought. Consideration of the reasons why Hayek was not given serious consideration for a position in 1946 provide further perspective on why Friedman was attractive as a compromise candidate for the Department.

John Nef proposed Hayek for a faculty position in a reply dated February 5, 1946 to Knight's January 31 letter.²⁹ Nef argued that Hayek would be preferable to either Hicks or Robbins and went on to argue that he would be preferable as well to Friedman, Hart, Samuelson, or Stigler. Nef regarded Friedman, Hart, and Stigler as "very pleasant, bright young

²⁹ Located in JUNUPC, Box 14, Folder 20. I am grateful to Malcolm Rutherford for bringing my attention to this letter. See Online Appendix item 5 for a transcript of Nef's letter.

men, and excellent material for Oberlin, Columbia or Northwestern.” While he found Samuelson “supercilious” and lacking in responsibility. In contrast, Nef was impressed by the breadth of Hayek’s work and its moral dimensions, even if Nef did not share Hayek’s ideology. Nef himself has been characterized as part of a New Deal group at Chicago and has been characterized by the intellectual historian, Robert Thomas (2010, 285), as a conservative liberal. The conservative side consisted in his emphasis on civilization and cultural tradition, an element he can be seen as sharing with Hayek. Nef’s liberal side was not that of either classical liberalism, favoring free markets nor a redistributive liberalism, but that of cultivating freedom of the human spirit to pursue intellectual and artistic aims. What Nef seems to have appreciated in Hayek was the latter’s framing a broad moral and cultural context for the economic and policy issues he considered.

Counter to previous views that Hayek was seriously considered for a position in the Department in 1948 (see for example Caldwell 2004, p.297; Shehadi 1983, p.24; van Horn and Mirowski 2009, p.164), Nef’s proposal of Hayek in 1946 seems to have been the one time his name was floated for a faculty position within the Department. The negotiations that ended up bringing Hayek to Chicago in 1950 began in mid-1948 when Loren Miller of the William Volker Fund contacted Aaron Director about Volker funding of a faculty position for Hayek at Chicago. Director in turn worked with John Nef to establish a position for Hayek in the Committee on Social Thought. These negotiations always centered on this Committee rather than the Department of Economics at Chicago.³⁰ While Department minutes do indicate that at

³⁰ The Transcript of a July, 1948 letter from Aaron Director to Hayek involving these negotiations is item 14 in the Web Annex. The transcript of an excerpt from an August, 1948

November 14, 1948 meeting consideration was given to a courtesy appointment for Hayek in conjunction with his appointment to the Committee, this was just a courtesy appointment and even this was not approved by Department faculty.³¹

Insight into why Nef's proposal of Hayek for a faculty position went nowhere is provided by the memo on faculty recruiting for the Department that Henry Simons appears to have drafted in late January or early February of 1946. In contrast with Nef's letter, the apparent Simons memo was considerably less enthusiastic about a possible appointment for Hayek. It is not until page 3 of his memo, after giving enthusiastic endorsement to positions for Robbins, Stigler and Friedman and after discussing at length his reservations about making an offer to Roy Blough in the public finance area, that the author suggests the possibility of making an offer to Hayek:

If the Robbins appointment should fail, I would favor going after Hayek (1)to edit the Journal (with Knight), (2)to offer courses in the history of socio-economic thought, and (3) to continue his research and writing in that field. The announcement effect would be less good than with the Robbins appointment (because of the bitter public controversy about Hayek's tract); and gracious person that he is, he would not fit so easily or readily into our group and community as the equally gracious Englishman. Neither would he fill the gap in international economics. On the other hand, his scholarship is superlative. His command of the

letter from Hayek to Director with Hayek's perspective on these negotiations is item 15 in the Online Appendix.

³¹ For further discussion of possible deliberations on Hayek in 1948 see Section 16 of the Online Appendix on "November, 1948 Motion" on Hayek.

19th (and 18th?) century literature of economics and related fields is probably unsurpassed. Moreover, with his broad interests in philosophy, psychology, history, and methodology, he would valuably complement Knight and leave us with another real economist-philosopher at Knight's retirement.³²

One concern with Hayek stated in the apparent Simons memo, that Simons mentioned at the time to Hayek himself, and also mentioned by Nef in later reminiscences was the controversy over *The Road to Serfdom*.³³ Another impediment mentioned by Hayek himself regarding putative consideration of him in 1948 was apparent opposition by the “econometricians” in the department (Shehadi 1983, 24). This opposition could have stemmed both from Hayek's non-empirical approach to economics and from the left-leaning politics of some Cowles group members, most notably the Commissions' Research Director at the time, Jacob Marschak. However, that it was not just issues about empiricism and methodology that blocked Hayek is suggested by the far more serious consideration given to Lionel Robbins as a candidate and by

³²located in HSPUC, Box 8, Folder 12. A transcript of this letter is item 8 of the Online Appendix on “Mints” memo proably by Simons.

³³ In his August 3, 1948 letter to Director, Hayek mentions a conversation he had with Simons just before Simons' death in which Simons mentions that Hayek's book had created a “determined opposition” to an appointment in the department for Hayek. A transcript of this letter is item 14 of the Web Annex. Nef attributes the failure of an appointment for Hayek to the controversy over *Road to Serfdom* in both Nef n.d.p.5 and Nef 1973, 237-238.

the failure of the non-empiricist Frank Knight to act on Nef's suggestion of Hayek.³⁴ And Marschak's willingness to back both Lionel Robbins and Milton Friedman despite their conservative inclinations also suggests that Hayek's ideology or the controversy over his recent book may not have been dispositive.³⁵ Indeed, in December of 1943, Marschak wrote a far more enthusiastic reader's report for University of Chicago Press on *The Road to Serfdom* than did Frank Knight. Marschak described the book as "one that cannot be by-passed."³⁶ Milton Friedman argued in an interview with Lanny Ebenstein that opposition to hiring Hayek stemmed from fundamental disagreement within the department to Hayek's economics and in particular to his Austrian approach to capital and monetary theory. However, Simons in the memo cited above expressed openness to hiring Hayek and in a 1945 letter to Samuelson suggested that his admiration for Hayek as a political economist and social theorist trumped any disagreements he

³⁴ Robbins was mentioned as a viable candidate in both Knight's January 31, 1946 letter and in Marschak's February 1, 1946 letter. Knight judging both by his January 31 letter and his voting at the February 11 department meeting discussed in the text had no particular interest in giving consideration to Hayek for a faculty position at this point. For more on Knight's views on Hayek see the biographical statement on Knight in the Online Appendix.

³⁵ Marschak's letter of February 1, 1946, item 4 in the Online Appendix mentions Robbins relatively high standing in department deliberations. Reuben Gustafson's February 19, 1946 memo to central administration on his conversation with Marschak mentions that Marschak "speaks highly of Lionel Robbins of the London School. Marschak says he is an all-around personality." This memo located in OPHAUC Box 73, Folder 2.

³⁶ Both reader's reports are reprinted in Hayek 2007, pp.249-252.

had with Hayek's monetary theory.³⁷ Insofar as Hayek was primarily perceived as a philosopher in the tradition of Frank Knight, as suggested by the passage in the apparent Simons' memo above, the department at this time was moving away from that tradition in economics, a theme suggested by Emmett (2009).³⁸ Perhaps of greatest importance, the hiring deliberations in early 1946 emphasized graduate teaching needs in economic theory and in international economics created by Viner's departure.³⁹ A particular pressing teaching need was to fill Viner's role in teaching Economics 301, the core graduate price theory course. Hayek lacked the background in either Marshallian price theory that Knight and Viner seemed to prefer or the more formal mathematical approach that Marschak and his group were urging.

Conclusion:

³⁷ See HSPUC Box 6, Folder 1. Paul Samuelson's letter to Simons dated March 26, 1945 mentions that Lionel Robbins had "reputedly dropped his old Haiakian deflationism, accepting as axiomatic the necessity for government to adopt unorthodox fiscal policies." In his reply dated April 3, 1945, Simons stated: "I like being bracketed with Hayek, as political economist--- if not as monetary theorist; and I wish I had even a little of his merits as a student of social thought. Even in monetary matters, he's reformed probably as much as Robbins, and earlier."

³⁸ The statements of both Nef and Simons proposing consideration of Hayek in the February 1946 hiring deliberations focused on Hayek's standing as an economic philosopher. On the move of the department away from economic philosophy see Lewis' statement in item 25 of the Online Appendix.

³⁹ Both Knight's letter of January 31 and Marschak's letter of February 5 feature the importance of both theory and international as fields in which the department sought to recruit.

If Friedman represented a compromise between the Knight faction and Cowles faction in 1946, his arrival can hardly be said to have brought about subsequent compromise between the two groups. Friedman came to be known as the scourge of the Cowles commission for his feisty questioning both in Cowles seminars and in more public conference settings and publications. Friedman did not think that the large scale econometric models employed by the Cowles Commission was a fruitful path of research and advocated a more disaggregated, sectoral approach to developing a theory of economic change (Friedman 1951, 114).⁴⁰

In some respects both factions bowed out of the department in subsequent years. Of the Knight faction, Simons died in June of 1946, Knight increasingly phased away from economics into social philosophy as well as retirement, and Mints retired in 1953. The Cowles Commission packed off en masse for Yale in 1955.⁴¹ Whether Friedman's relentless skirmishing drove the Cowles Commission away or whether the Commission moved due to financial considerations and Cowles family connections with Yale is subject to conflicting accounts even by Friedman's

⁴⁰ For accounts of Friedman's disagreement with Cowles Commission work in the early 1950s see Boumans 2013, and Epstein 1987, 108-10.

⁴¹ The factors behind the move of the Cowles Commission to Yale has too complex a history to relate here. While there were methodological struggles between Friedman and the Cowles Commission staff in play there were also financial issues and struggles between the Cowles family and administrators at Chicago in play as well. Friedman in his memoirs states that on net the move of Cowles to Yale was a real loss for Chicago and argues that Schultz and others at Chicago made a serious effort to keep the Commission at Chicago.

own telling.⁴² Yet in certain respects, both Lewis and Friedman can be seen as carrying on legacies of both Knight and Cowles. As can Arnold Harberger, who studied with both Knight and Marschak and whose dissertation committee was chaired by the Keynesian Lloyd Metzler with his other committee members being Cowles affiliates Kenneth Arrow and Franco Modigliani (Harberger 1999). They all blended a Knightian regard for free markets with an analytical approach to policy and empirical work that represented the legacy of Marschak and his colleagues at Cowles. Furthermore, the intensive effort to recruit Samuelson in the late 1940s can be seen as just one example of ongoing efforts in the postwar decades to attract the leaders in current economic theory to the department even if they were not in the Chicago price theory tradition. Nor was support for such efforts confined to members of the Cowles Commission. If in

⁴²Hildreth 1986, 10-11 provides a concise summary of the considerations that made a move to Yale attractive for the Cowles Commission. Records of the extended deliberations involved in efforts to keep the Commission at Chicago are contained in UC DERUC Box 42, Folders 4 through 7. Ebenstein 2007, 57 while acknowledging that Friedman thought that the department benefitted from the presence of the Cowles Commission at Chicago, also states that “Friedman was nonetheless instrumental in the ultimate departure of the Cowles Commission....” In Friedman and Friedman 1998, 197-98, Friedman acknowledges that he was a “hair shirt” at Cowles Commission seminars but also asserts that the department wanted the commission to stay and regretted its loss. He makes similar comments on p. 28 of his unpublished interview with Dan Hammond. Yet in his Oct. 9, 1954 letter to Arthur Burns, he expresses clear delight in the departure of the Cowles Commission and states that department deliberations have been much more harmonious in the aftermath of this development. See item 18 in the Online Appendix for a transcript of this letter.

the late 1940s, a clear consensus of the department put high priority on recruiting Hicks and Samuelson, they also sought to recruit Kaldor as well.⁴³ In the early 1950s the department unsuccessfully made offers to James Tobin and Kenneth Arrow combining a professorship in the department with research Directorship of the Cowles Foundation. Subsequently an offer was made to Robert Solow. All of these offers had Milton Friedman's support.⁴⁴ In the same Oct. 9, 1954 letter to Arthur Burns in which Friedman stated that he was "glad to report that the rumors are entirely true" that the Cowles Commission was moving to Yale, "Poor Yale," he also inquired of Burns what his opinion was of Modigliani, Arrow, and Solow as possible younger men of promise to recruit to Chicago and stated that the department "must do something in Math Econ."⁴⁵

Hayek stated in his interview with Nadim Shehadi (1983, 24) that during his 12 years at Chicago, he had "very friendly personal relations with the Economics Department." However he also acknowledges that his time in Chicago was rewarding precisely because he "was not tied to economics in the narrow sense, my interests were broadening out." In contrast, it was arguably

⁴³ At the Department meeting on November 19, 1946, Friedman and Lewis proposed Nicholas Kaldor as an alternative to Samuelson, though their motion was voted down. Minutes located in UC DERUC Box 41, Folder 3.

⁴⁴ For further details on these offers see Section 26 Recruiting Arrow, Solow and Tobin in the Online Appendix.

As late as 1959, the department was still giving serious consideration to a permanent appointment for either Arrow or Solow. See Section 26 of the Online Appendix.

⁴⁵ Letter located in Arthur Burns papers, Box 1, Milton Friedman correspondence folder, Duke University.

Friedman's ability to apply technical skills to real world policy issues that formed the foundation of the more general Chicago School of Economics that rose to prominence for the next 30 years as is suggested by Friedman's 1974 statement that:

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).

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Duke University.

CSTUC Committee on Social Thought Papers, Special Collections Research Center, University
of Chicago Library.

UCDERUC University of Chicago Department of Economics Records. Special Collections
Research Center, University of Chicago Library.

FHPHI Friedrich Hayek Papers, Hoover Institution.

OPHAUC Office of the President, Hutchins Administration, Special Collections Research
Center, University of Chicago Library.

JUNPUC John U. Nef, Jr. Papers, Special Collections Research Center, University of Chicago
Library

HSPUC Henry Simons Papers, Special Collections Research Center, University of Chicago
Library.

GSPUC George Stigler Papers, Special Collections Research Center, University of Chicago
Library.

JVPPU Jacob Viner Papers, Seeley G. Mudd Manuscript Library, Princeton University.

W. Allen Wallis Papers, University of Rochester Library.

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Table 1. Short list rankings in Feb.11, 1946 Economics Department meeting Vote

Candidate	Hazel Kyrk	Lloyd Mints	Jacob Mar- Schak	Fred. Harb- ison	Henry Simons	William Nicholls	D.Gale Johnson	Tjalling Koop- mans	H.Gregg Lewis	Frank Knight	T.W. Schultz	Robert Burns	Sum	Ave.	Rank
John Hicks	1	4	1	1	4	1	1	1	4	4	1	1	24/12	2	1
Albert Hart	3	3	3.5	2	2	2	2	4	3	3	3	2	32.5/12	2.71	2
George Stigler	4	1	5	3	2	3	4	*	1	1	4	4	32/11	2.91	3
Milton Friedman	2	2	3.5	4	2	*	*	3	2	2	5	5	30.5/10	3.05	4
Paul Samuelson	5	5	2	5	5	4	3	2	5	5	2	3	46/12	3.83	5

* Insufficient knowledge of these persons to rank them.

Including rankings of 3 absent members from the Feb. 11, 1946 meeting:

Candidate	John Nef	Oskar Lange	Paul Douglas	Adjusted Totals	Average	Rank
Hicks	1	1	1	27/15	1.8	1
Hart		3	3	38.5/14	2.75	2
Stigler		5	4	41/13	3.15	3
Friedman		4	5	39.5/12	3.29	4
Samuelson		2	2	50/14	3.57	5

Source: University of Chicago Department of Economics Records, Box 41, Folder 3. University of Chicago Library Special Collections.