

A TRIBUTE TO HOMER JONES

Harry G. JOHNSON

University of Chicago, Chicago, IL 60637, U.S.A.

When I first arrived in Chicago in 1959, one of the first things I had to learn (as one does whenever one moves to a new academic institution) was the roster of local saints of the economic profession. Every department has such a roster; and often the names are unknown, or only dimly remembered, elsewhere. In the latter category Chicago had Henry Simons and Lloyd Mints; in the former, Clark Warburton and Homer Jones. Homer Jones was an oasis in the desert that Keynesian economics and concern with credit had made of the Federal Reserve System, the last outpost of classical monetary civilization in a cancerous culture of barbarian bumptiousness.

Homer Jones in the flesh was quite unexpected: a quiet, unassertive person who was concerned with truth sufficiently to listen carefully to the arguments of anyone who might reasonably be expected to have some part of it to offer. His workshop paper, as I recall it, was concerned with an important question that still remains so: whether the concern of the Fed with preserving 'orderly conditions in the market' through day-to-day interventions did not distract the monetary authority from pursuing a policy conducive to stabilization of the economy in the longer run. (I should add, to avoid misunderstanding, that Homer Jones was not in any sense advocating a monetary rule; he was concerned instead with the question whether the operating methods of the Fed were consistent with effective performance of its obligations as the Fed itself saw them.)

Homer Jones and the Federal Reserve Bank of St. Louis in fact remained institutions of largely local Chicago repute and veneration during the first phase of the revival of professional and popular interest in monetary theory and conviction of the importance for good or ill of monetary policy – the phase from the publication of *Studies in the quantity theory of money* through the application of permanent income theory to money demand measurement to the intense controversy stimulated by publication of the Friedman–Meiselman test of relative stability of the multiplier and velocity. It was Homer Jones and his staff in St. Louis, especially Andersen and Jordan, who deserve the credit for shifting the focus of interest from the concept of a 'test' of rival theories to the far more

fruitful question of the relative strengths, reliabilities, and speeds of monetary and fiscal impulses.

The 'test of rival theories' concept, appealing as it is at first sight in terms of a popular theory of scientific method, in fact involves an arbitrary and artificial restructuring of the conception of an economic system as understood by virtually all economists, and an unnecessary and ultimately unhelpful sacrifice of economic information. In contrast to the natural sciences, the social sciences do not (or, to be more guarded, do not as yet) lend themselves to formulation in terms of a few crucial constants, such that scientific research can be organized around the question of determining what the constants are, and scientific controversy focussed on the determination of truth by an adversary procedure or 'trial by combat' between rival pretenders to constancy. Rather, the useful formulation runs in terms of general equilibrium *systems*, with respect to which the question is which, of the many possible ways of formulating the relationships that are visibly present, is the most useful in concentrating attention on the integrating skeleton and disregarding the dependent muscle and fat.

It was the work of Homer Jones and his colleagues that converted what gave every promise of being an acrimonious heated, time-wasting and ultimately inconclusive debate into a new and promising approach to monetary and economic policy research, an approach that focussed, in Homer Jones' practical and unassuming way, on the real, as distinct from the academically diverting, question of what useably simple relationships between alternative instruments of economic policy control and the aggregate-variables of the economy under control are most reliable for the policy-makers to concentrate their attention on. In that respect, Homer Jones played the role of a sort of social conscience for the subprofession of monetary economics, calling it back from the temptations of intellectual disputation to the responsibilities of pursuing economic understanding.