DRAFT

Frank Hahn 1926-2013: A Tribute

I was sad to hear that Frank Hahn had died. He and I were colleagues on and off at Cambridge from the early 1960s. We had many clashes (and three semi-public debates about approaches to economic analysis), he thought me a bit of a dill (OZ for thick), but I was fond of him and had great respect for him as an important intellectual influence in the Cambridge Faculty and beyond. He has never been adequately replaced since his retirement in 1993.

In this tribute I concentrate on his understanding of and contributions to the economics of Keynes. These start with his LSE doctoral dissertation, "The share of wages in the national income. An enquiry into the theory of distribution". It was only published in 1972 (by Weidenfeld and Nicolson), over 20 years after its submission, partly because of Frank's unsureness about its worth, partly because of the influence of his mentor, Terence Gorman, who had stringent views on what should be published.

His dissertation is a highly original contribution to Keynesian macro theories of distribution. Frank amalgamated IS and LM analysis, more generally, Keynes's aggregate demand and supply analysis, with the then state-of-the-art theories of the firm and entrepreneurial behaviour. He related the short-period level of overall activity to the share of wages in the national income, exploiting the implications of the differences in the marginal propensities to save of wage-earners and profit-receivers. The intersection of the two relations determined simultaneously, mutually, the equilibrium levels of the distribution of income and the level of activity. While there are details of the analysis to which exception could be taken, I wrote at the time that his version was in some ways the most satisfying we have. (I used to tease Frank that it was the best thing he ever did, that it had been downhill all the way since).

As well as his many articles (which he divided into serious economic analysis and what he dubbed blah blah, in which he reflected on broad conceptual and philosophical as well as theoretical issues), Frank was associated with (at least) three major treatises: the 1964 survey of the theory of economic growth in *The Economic Journal*, written with Robin Matthews, the role model for survey articles ever after; the 1971 definitive volume on modern general equilibrium theory written with Ken Arrow; and the 1995 courageous critique from within of modern macroeconomics, written with Bob Solow. (It is no accident that his co-authors were also amongst his closest friends). All three treatises were relevant to his evolving understanding and evaluation of Keynes's contributions. Increasingly he came to accept that general equilibrium theory was not the appropriate approach with which to tackle Keynes's insights. Early on (1965) he wrote the definitive account of why it could not include money in any meaningful way, that Keynes's insight that the monetary and real aspects of the processes at work in capitalism had to be integrated from the start of analysis could not be captured within a general equilibrium framework where money is at best a ticket. Indeed Frank was eventually to say that general equilibrium's major contribution was a negative one: to make precise the conditions that had to hold for what he perceived to be Adam Smith's conjecture that greedy people in a competitive environment could bring about a sort of social optimum were so special that they robbed general equilibrium of any significant role in descriptive analysis.

Frank's great love of mathematics led him always to strive for preciseness in analysis, hence his attraction to general equilibrium. But increasingly he recognized, as did his friends and contemporaries, Bob Clower and Axel Leijonhufvud, that for the economics of Keynes to be properly developed, the Marshallian approach in which Keynes was steeped was the correct way forward. That is to say, on this path it may be better sometimes to be "vaguely right rather than precisely wrong", the Wildon Carr maxim that Gerald Shove in 1942 applied to Marshall's *Principles* 50 years on. A most succinct statement by Frank of this view is in his courageous 1982 Birmingham lectures, *Money and Inflation*, published by Blackwell, in which he criticizes the new classical macroeconomics of the Lucasians. He wrote in the Preface (xi) that he had been forced to make at times "plausible" rather than "clinching" arguments.

Frank had a deep understanding of the nature of money and its link to an inescapable environment of fundamental uncertainty in which all major economic decisions had to be made (He said he would forgive Joan Robinson all her other sins, as he saw them, because she too had such a deep understanding of this.) With his colleagues he built on this base analysis of the implications of missing markets for the processes at work in the economy. Earlier on he had made an astute analysis of the implications for accumulation and growth theory of the same insight in a series of articles that have bequeathed "the Hahn process" to posterity. With Bob Solow he investigated the implications of imperfectly competitive market structures within the Keynesian system, developments that have increased our positive understanding as well as contributing an incisive critique of the results of modern, non – anti – Keynesian macro analysis.

Frank had very clear views on the links between theory and policy and was extremely modest about what could be claimed – hence his considerable ire for those who claim that their policies are based on coherent theoretical structures which show that their predicted results will follow from implementing their advocated policies. Nevertheless, with Robert Neild and then with the 364 British economists, he went after the ill-informed and damaging policies implemented by Geoffrey Howe as Chancellor of the Exchequor in the early 1980s, policies enthusiastically approved of by Margaret Thatcher.

Frank Hahn was a serious intellectual who thought deeply and was willing to change his mind. He had extremely high standards that he applied even more harshly to himself than to others. He has left an indelible mark on the thinking of serious members of the profession and I doubt if we will see his like again.

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