Is Monetarism Eclectic: A Rejoinder

In an interchange in this *Review* on the Chicago School's conception of the efficacy of monetary policy, George S. Tavlas takes issue with a series of articles by Don Patinkin as well as with an article by the present writer. Tavlas's specific criticism of the latter is the subject of this rejoinder.

Commencing with a juxtaposition of Patinkin to the present writer, Tavlas observes, "Unfortunately, Patinkin's valid generalization concerning countercyclical policy has been extended to an invalid generalization concerning the views of former Chicagoans with respect to the effectiveness of traditional monetary measures. Thus — perhaps the consequence of the failure of prior studies to examine adequately the monetary-policy content emanating from Chicago during the 1930's — Joseph Aschheim states:

> 'While contemporary Monetarists under Friedman's leadership are generally regarded as exponents of the efficacy of monetary policy, earlier adherents of the quantity theory even of the Chicago School have been quite eclectic as to the preferable way in which an increase in the quantity of money was to be engendered.'" (Tavlas, p. 53).

In particular, Tavlas appears provoked by my characterization of pre-Friedman adherents of the quantity theory as *eclectic*. It is his contention that Chicago economists during the 1930s "were not... 'eclectic' as to the proper means by which to implement monetary policy." (Tavlas, p. 58.) Rather, he insists, they "opted for fiscal measures and delegated traditional monetary policy to an accomodating role. But they were careful to note that deficit budgets were a means of attaining the necessary variations in the money supply... and therefore, fiscal measures were a direct way of conducting *monetary policy*." (Tavlas, p. 59. Italics in the original.) Apparently, Tavlas's objection to my eclecticism appellation derives from his judgment that a review of the relevant literature "does not lend support to Aschheim's contention. On the contrary, an investigation of the works of those Chicagoans who wrote in the field of monetary economics and stabilization policy during the 1930's — notably Jacob Viner, Paul Douglas, Henry Simons, A. G. Hart and Harry Gideonse — suggests a Chicago group characterized by its lack of conviction in monetary tools which operated via the borrowing and lending activities of the commercial banking system." (Tavlas, p. 53.)

There can be no doubt that Tavlas professes a pronounced difference between the results of his own study and those of mine. But to determine whether more than a semantic quibble over the term "eclectic" is here

involved, consider the point of my characterization of the 1930s Chicagoans as eclectic in their advocacy of anti-depression policy. The point is that while espousal of the efficacy of monetary policy typifies contemporary Monetarists under Friedman's leadership, it is the *combination* of, primarily, an expansionary *fiscal* policy with, secondarily, a permissive *monetary* policy that typifies pre-Friedman Monetarists even at Chicago. Thus, the eclecticism depiction is an entirely apt one in that the Monetarism of the 1930s Chicago exponents *drew together* the element of fiscal expansiveness with the element of monetary permissiveness.

Hence, it turns out that Tavlas's strictures against the eclecticism depiction are nothing but a reiteration and elaboration of the point of this depiction. His amassing of illustrations from the 1930s Chicago group serves but to underscore the *blending* of Fiscalism with Monetarism as the group's favored depression antidote. But whereas I, in making the point, confined myself in my article to Patinkin and Simons (as quoted by Patinkin), Tavlas replicates the point by lengthening the list of literature citations. Alas, the more the merrier: Tavlas's added citations provide added support to the inference of my article that among the 1930s quantity theorists at Chicago, Monetarism and Fiscalism constituted a *blend* rather than a dichotomy.

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REFERENCES

ASCHHEIM, J., "Monetarism Versus Fiscalism: Towards Reconciliation", in this *Review*. 114 (September 1975), pp. 223-31.

TAVLAS, G. S., "Chicago Schools Old and New on the Efficacy of Monetary Policy", in this *Review*. 120 (March 1977), pp. 51-73.