FOREWORD

KENNETH J. ARROW

I want to briefly express my gratitude for the existence of this series of lectures in my honor and to mark briefly the continuities and discontinuities in economics at Columbia.

Columbia was a very chaotic place when I was here. The departments were teaching different courses that had very little relation to each other. I came in really to study statistics, not to study economics. There was no degree in statistics, so I took my Ph.D. in economics simply as the only way of getting close to it. I got hooked. My mentor was somebody whose influence is still felt today, Harold Hotelling. I took his course in economics, which was totally different because nobody was teaching optimization, classic principles, or equilibrium; these subjects that were on the whole not taught. In fact, there was no course in price theory required of economics graduate students.

The "leading people" during this time were interested in business cycles, a term that is a little archaic now. Although that term is little used today, the ups and downs are still with us. The great man in that field was Wesley Clair Mitchell, a name that may mean very little to you, but he was the founder of the National Bureau of Economic Research. He was on leave in the year I was taking most of my courses, so he had a substitute, his deputy, Arthur F. Burns, who was a professor at Rutgers and who later became the chairman of the Federal Reserve and chairman of the Council of Economic Advisors. Burns was a very brilliant person, although I think he has had very little influence because he was very self-critical, and never really finished very much. But he was one of the brightest people I ever met, although his philosophy could not have been more opposed to mine. Even as a statistician, I wanted a formal model, and the models that I was attracted to were anything but. Many were based on the fact that the economy fluctuated a great deal. In retrospect, I am a little surprised that the financial side, which this volume discusses, did not play a role, considering all the ups and downs in the iron and steel industry. But all industries looked more or less alike to these people. As a statistician I did not want to be too critical, because the one thing that they were motivated to do was collect a lot of data, which I assumed the more formal econometricians would be then able to use, so one didn't want to discourage this activity.

The department, of course, has gone through so many changes; even after I returned after World War II, it was different. Albert Jay Nock very much emphasized imperfections in the credit market. He was the biggest figure in the postwar period. He and I respected each other a great deal. He was very encouraging to me even though he was going in a somewhat different direction. The subsequent history of the Economics Department has shown that it has continued, and perhaps even with increased vitality. The training of graduate students of economics at Columbia University and elsewhere is much more stringent and demanding than it was in my day. There is hardly any comparison. I want to welcome José Scheinkman to continue this tradition.