*Modern Intellectual History* (2023), **20**, 1194–1218
doi:10.1017/S1479244322000440

CAMBRIDGE UNIVERSITY PRESS

ARTICLE

# Taking Off the Neoliberal Lens: The Politics of the Economy, the MIT School of Economics, and the Strange Career of Lawrence Klein

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(Received 9 August 2022; accepted 10 August 2022)

*Over the last decade, a narrative centered around the rise of neoliberalism has become the dominant framework for explaining recent US, and often global, history. Although this neoliberal lens has repeatedly proven its value, it also obscures major continuities running across the twentieth century. This article highlights one striking example of continuity that becomes easier to see after taking off the neoliberal lens—namely the commitment to discretionary management of the macroeconomy, often short-handed as Keynesianism. It begins with a survey linking the development of a politics centered around managing the economy to the making of what Karen Orren and Stephen Skowronek have termed a "policy state." Next it considers the role of economists within the policy state, paying particular attention to what it calls the MIT school of economics. Then it uses the career of Lawrence Klein, an exemplary product of the MIT school, to illuminate the politics of the economy in a supposedly neoliberal age.*

"If we don't do this," Federal Reserve chair Ben Bernanke told a closed-door meeting of congressional leaders on Thursday, 18 September 2008, "we may not have an economy on Monday."[1] "This" was the Troubled Asset Relief Program, a $700 billion plan to stabilize financial markets after the bankruptcy of Lehman Brothers. Although Republicans balked at the price tag and Democrats bridled at rescuing Wall Street, the legislation made it through Congress and was quickly signed by George W. Bush. "If we're really looking at another Great Depression," the president told his advisers, "you can be damn sure I'm going to be Roosevelt, not Hoover."[2]

There's a puzzle here. In recent years, a growing number of historians have argued that beginning in the 1970s a "New Deal order" gave way to a "neoliberal order."[3] And there is much to recommend the turn. Studies of neoliberalism

[1]Quoted in Jonathan Alter, *The Promise: President Obama, Year One* (New York, 2010), 9.

[2]George W. Bush, *Decision Points* (New York, 2010), 440.

[3]The phrases come from Steve Fraser and Gary Gerstle, eds., *The Rise and Fall of the New Deal Order, 1930–1980* (Princeton, 1990); and Gary Gerstle, *The Rise and Fall of the Neoliberal Order* (New York, 2022). Foundational works on neoliberalism include Michel Foucault, *Birth of Biopolitics: Lectures at the Collège de*

have drawn attention to such decisive structural transformations as globalization, financialization, the decline of organized labor, and mounting economic inequality.[4] The subtlest interpretations place a welcome emphasis on ideas, especially ideas associated with the Chicago school of economics.[5] Seeing history through the neoliberal lens provides a way of moving beyond political histories narrowly focused on skirmishes between Republicans and Democrats, or conflicts between a seemingly unchanging left and right. It encourages Americanists to consider the experience of the United States in a global context. It also places historians in a vibrant interdisciplinary conversation with colleagues in sociology, anthropology, geography, cultural studies, and political theory. Even scholars who question the value of neoliberalism as a category of analysis have described "the market" as the essential idea of the age.[6] At the same time, defenders of neoliberalism's analytic utility have dismantled simplistic accounts of markets advancing at the expense of the state, showing that the more useful question to ask is what kind of public power was mobilized during the era when "big government" was supposedly over.

The result is the strongest contender US historians have come up with for a master narrative that encompasses the last half-century, a sweeping and persuasive account for a time of rapid political, economic, and social changes—changes that were indeed bound up with what Gary Gerstle has called "a distinctive program of political economy … grounded in the belief that market forces had to be liberated from government regulatory controls that were stymieing growth, innovation, and freedom."[7]

*France, 1978–1979*, trans. Graham Burchell (Basingstoke, 2008); David Harvey, *A Brief History of Neoliberalism* (New York, 2005); and Wendy Brown, *Undoing the Demos: Neoliberalism's Stealth Revolution* (Cambridge, MA, 2015). For neoliberalism's place in historiography see Daniel Rodgers, "The Uses and Abuses of 'Neoliberalism'," *Dissent* 65/1 (2018), 71–80; and Kim Phillips-Fein, "The History of Neoliberalism," in Brent Cebul, Lily Geismer, and Mason Williams, eds., *Shaped by the State: Toward a New Political History of the Twentieth Century*, (Chicago, 2019), 347–62.

[4]On globalization see Saskia Sassen, *A Sociology of Globalization* (New York, 2007). On financialization see Gretta Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance* (Cambridge, MA, 2011). On the history of income inequality see Thomas Piketty, *Capital in the Twenty-First Century*, trans. Arthur Goldhammer (Cambridge, MA, 2014). Piketty's findings for mounting pretax income inequality also apply to posttax income, on which see Thomas Piketty, Emmanual Saez, and Gabriel Zucman, "Distributional National Accounts: Methods and Estimates for the United States," working paper, National Bureau of Economic Research, 2016.

[5]See, for examples, Philip Mirowski and Dieter Plehwe, eds., *The Road from Mont Pèlerin: The Making of the Neoliberal Thought Collective* (Cambridge, MA, 2009); Angus Burgin, *The Great Persuasion: Reinventing Free Markets since the Depression* (Cambridge, MA, 2012); Daniel Stedman Jones, *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics* (Princeton, 2012); Philip Mirowski, *Never Let a Serious Crisis Go to Waste: How Neoliberalism Survived the Financial Meltdown* (London, 2013); Melinda Cooper, *Family Values: Between Neoliberalism and the New Social Conservatism* (Brooklyn, 2017); Quinn Slobodian, *Globalists: The End of Empire and the Birth of Neoliberalism* (Cambridge, MA, 2018); and Douglas Irwin, "The Midway and Beyond: Recent Work on Economics at Chicago," *History of Political Economy* 50/4 (2018), 735–75.

[6]According to Daniel Rodgers, for example, in this period "no word flew higher or assumed a greater aura of enchantment than 'market.'" Daniel Rodgers, *Age of Fracture* (Cambridge, MA, 2011), 41.

[7]Gerstle, *The Rise and Fall of the Neoliberal Order*, 2.

https://doi.org/10.1017/S1479244322000440 Published online by Cambridge University Press

But every paradigm has its anomalies, incongruities that don't quite fit inside the framework. George W. Bush's remark in the fall of 2008 is one of those glitches in the matrix. Why did a self-styled heir to Ronald Reagan decide in the middle of an economic crisis that he should take on the mantle of FDR? And how did Bush's administration—including his handpicked Federal Reserve chair, Ben Bernanke—wind up spearheading what Adam Tooze has termed "a mobilization of state action without precedent in the history of capitalism"?[8]

To answer these questions, it helps to recognize how novel it was to assume that policy makers had an obligation to oversee the economy. There is now a sizable body of scholarship devoted to tracking what is often called the "inventing" of the economy during the twentieth century, and could more prosaically be referred to as the emergence of the economy as an object of governance.[9] These accounts of a politics oriented around managing the economy typically end somewhere in the middle of the century, by which time the economy was enshrined at the center of public debate.[10]

This article picks up the story where much of the existing literature leaves off, bringing together research on the inventing of the economy and the rise of neoliberalism to reveal noteworthy continuities between the ages of Roosevelt and Reagan. It begins with a broad survey that connects the creation of a politics preoccupied with managing the economy to the ascent of what Karen Orren and Stephen Skowronek have termed a "policy state."[11] Next it turns to the role played by what could be called the MIT school of economics, a group that brought together academic prestige, policy-making influence, and a commitment to Keynesianism.[12] Alongside the significance of the MIT school, it emphasizes the

[8]Adam Tooze, *Crashed: How a Decade of Financial Crisis Changed the World* (New York, 2018), 166.

[9]See Hugo Radice, "The National Economy: A Keynesian Myth?" *Capital and Class* 22 (1984), 111–40; Susan Buck-Morss, "Envisioning Capital: Political Economy on Display," *Critical Inquiry* 21/2 (1995), 434–67; Timothy Mitchell, "Fixing the Economy," *Cultural Studies* 12/1 (1998), 82–101; Adam Tooze, "Imagining National Economies," in Geoffrey Cubitt, ed., *Imagining Nations* (Manchester, 1998), 212–28; Margaret Schabas, "Constructing 'The Economy'," *Philosophy of the Social Sciences* 39/3 (2009), 3–19; Quinn Slobodian, "How to See the World Economy: Statistics, Maps, and Schumpeter's Camera in the First Age of Globalization," *Journal of Global History* 10/2 (2015), 307–22; Daniel Hirschman, "Inventing the Economy: Or, How We Learned to Stop Worrying and Love the GDP" (unpublished Ph.D. thesis, University of Michigan, 2016); Timothy Shenk, "Inventing the American Economy" (unpublished Ph.D. thesis, Columbia University, 2016); and David Grewal, *The Invention of the Economy: A History of Economic Thought* (Cambridge, MA, forthcoming).

[10]This does not, of course, mean that historians lack for research on the *economic* history of the period, only that such work usually does not center on the questions foregrounded by the inventing of the economy literature. But for examples of work that pushes this scholarship into the second half of the century, see Matthias Schmelzer, *The Hegemony of Growth: The OECD and the Making of the Economic Growth Paradigm* (Cambridge, 2016); and Stephen Macekura, *The Mismeasure of Progress: Economic Growth and Its Critics* (Chicago, 2020).

[11]Karen Orren and Stephen Skowronek, *The Policy State: An American Predicament* (Cambridge, 2017).

[12]"Keynesianism" here refers to the belief that the economy's fluctuations can and should be smoothed out in the short run through countercyclical fiscal and monetary policies. The label is imperfect. It gives a misleading impression of Keynes's influence by lumping together developments that occurred in a number of nations at roughly the same time, and that would have taken place if Keynes had never lived. It also downplays the fact that many of Keynes's former students and colleagues believed that what became known as "Keynesianism" bore little resemblance to Keynes's thought, on which see Joan Robinson "The Age of Growth," *Challenge* 19/2 (1976), 4–9. But the term was widely use in the United States,

persistence of a distinctive tool for interpreting the economy: structural macroeconometric models, a favorite instrument of Keynesians that uses past statistical relationships in complex systems of equations designed to illuminate the workings of the economy as a whole.[13] (Econometrics is the branch of economics devoted to bridging the gap between economic theory and statistical analysis.)[14] It then zooms in to consider a figure who is virtually unknown outside the ranks of professional economists: Lawrence Klein, his era's chief proponent of structural econometric modeling—and, as it happens, the first graduate of MIT's doctoral program in economics.[15]

What, you might be wondering, is the historiographical payoff of all this? To start with, it demonstrates the existence of what could be called a Keynesian ghost in the neoliberal machine, highlighting the persistence of a style of government intervention that thinkers like Friedrich Hayek and Milton Friedman scorned: discretionary management of the macroeconomy.[16] This commitment to the politics of the economy was shared by policy-making elites in both parties, a telling example of consensus in a period of mounting partisan polarization.[17] Without denying the influence of the Chicago school and its intellectual partners, it argues for the neglected significance of the MIT school.[18] A fine-grained examination of

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and avoiding it would add an unnecessary layer of confusion to the narrative. On the MIT school see E. Roy Weintraub, ed., *MIT and the Transformation of American Economics* (Durham, NC, 2014). Especially important for this article is Beatrice Cherrier, "Toward a History of Economics at MIT, 1940–1972," *History of Political Economy* 46, Supplement 1 (2014), 15–44. Also see Paul Krugman's summary in "The M.I.T. Gang," *New York Times*, 24 July 2015, at www.nytimes.com/2015/07/24/opinion/paul-krugman-the-mit-gang.html?_r=0; Giuliana Chamedes, "Will Mario Draghi's Center Hold?", *Dissent*, 17 March 2021, at www.dissentmagazine.org/online_articles/will-mario-draghis-center-hold; and Adam Tooze, "The Gatekeeper," *London Review of Books*, 22 April 2021, at www.lrb.co.uk/the-paper/v43/n08/adam-tooze/the-gatekeeper.

[13]For a practitioner's history of macroeconometric modeling see Ronald Bodkin, Lawrence Klein, and Kanta Marwah, *A History of Macroeconometric Model-Building* (Brookfield, 1991). More recently see Marcel Boumans and Pedro Garcia Duarte, "The History of Macroeconometric Modeling: An Introduction," *History of Political Economy* 51/3 (2019), 391–400.

[14]See Mary Morgan, *A History of Econometric Ideas* (New York, 1991); and Marcel Boumans, "Survey of Recent Work in the History of Econometrics: A Witness Report," *History of Political Economy* 51/5 (2019), 805–26.

[15]On Klein's life and work see Olav Bjerkholt, "Lawrence R. Klein 1920–2013: Notes on the Early Years," *Journal of Policy Modeling* 36 (2014), 767–84; Ignazio Visco, "Lawrence R. Klein: Macroeconomics, Econometrics, and Economic Policy," *Journal of Policy Modeling* 36 (2014), 605–28; Shenk, "Inventing"; and Eric Fuchs, "Economics as a 'Tooled' Discipline: Lawrence R. Klein and the Making of Macroeconometric Model-Making, 1939–1959" (unpublished Ph.D. thesis, Université de Paris 1 Panthéon-Sorbonne, 2017).

[16]For related demonstrations of the extent to which neoliberal visions were only partially realized see David Edgerton, *The Rise and Fall of the British Nation: A Twentieth-Century History* (London, 2018); and Amy Offner, *Sorting Out the Mixed Economy: The Rise and Fall of Welfare and Developmental States in the Americas* (Princeton, 2019).

[17]On the origins of polarization see Sam Rosenfeld, *The Polarizers: Postwar Architects of Our Partisan Era* (Chicago, 2017).

[18]For a connected argument qualifying the significance of the Chicago school and drawing attention to intellectual developments on the center-left in the same period, see Elizabeth Popp Berman, *Thinking like an Economist: How Efficiency Replaced Equality in U.S. Public Policy* (Princeton, 2022). But where Berman's account of an "economic style" of reasoning is rooted in microeconomics, the politics of the economy were explicitly macroeconomic. Similarly, where her key characters come out of the Rand Corporation and the

https://doi.org/10.1017/S1479244322000440 Published online by Cambridge University Press

the career of Lawrence Klein, an early and exemplary product of the MIT school, illuminates the inner workings of a world that is still poorly understood outside the economics profession. (Klein's obscurity today is one sign of how murky his broader milieu remains.) Keeping this background in mind then helps explain why so much of the responsibility for managing the proliferating crises of the twenty-first century has fallen to figures such as Ben Bernanke (Ph.D., MIT, class of 1979).[19]

It is worth underscoring that this argument does not imply that Bernanke was simply dancing to a tune that Klein had written in advance. For policy makers, the most enduring legacy of the 2008 crash was arguably the development of a hybrid approach to central banking that blended finance with conventional macroeconomics, a project that has only a tangential connection to the work that consumed Klein's life.[20] Although this program stabilized financial markets, it produced a lopsided recovery whose rewards were skewed decisively in favor of capital, another recurring feature in studies of neoliberalism.

But attending to the history that made Klein's career possible does account for other crucial features of the response to the crisis, including the bipartisan support for an emergency mission to save the economy, the subsequent (and more partisan) injection of a fiscal stimulus whose $831 billion price tag exceeded the inflation-adjusted cost of the New Deal, the role played by economists describing themselves as successors to John Maynard Keynes, and the curious spectacle of a Republican president clinging to the example of Franklin Roosevelt.[21] Instead of considering all this merely a departure from the neoliberal norm, it is possible to see it as a chapter in a story that reaches back more than a century. That story begins with Progressive dreams of experts wielding social science and government power on behalf of the public good, moves ahead to confident declarations in mid-century that technocrats had solved the riddle of managing the economy, then stumbles into the potent yet kludgy ad-hocracy that dominates our time.

There is no denying the profound importance of the structural shifts, policy changes, and intellectual turns that historians have brought into focus by looking at the recent past through a neoliberal lens. Yet these are not the only stories to tell about the last half-century, and the neoliberal lens is not the only one worth using. Each of this article's three interconnected subjects—the politics of the economy, the MIT school, and the strange career of Lawrence Klein—operates at a

Brookings Institution, here the focus is on MIT. (Although, unsurprisingly, there was considerable overlap between these groups.)

[19]Bernanke recounts his experience at MIT in Ben Bernanke, *The Courage to Act: A Memoir of a Crisis and Its Aftermath* (New York, 2015), 26–30.

[20]On which see Tooze, *Crashed*, 290–317. This shift in policy was a reaction to the massive expansion of the financial sector, on which see Martijn Konings, *The Development of American Finance* (New York, 2011); Gérard Duménil and Dominique Lévy, *The Crisis of Neoliberalism* (Cambridge, MA, 2013), 101–243; and Leo Panitch and Sam Gindin, "Political Economy and Political Power: The American State and Finance in the Neoliberal Era," *Government and Opposition* 49/3 (2014), 369–99.

[21]Recent estimates place total New Deal spending at $41.7 billion, on which see Price Fishback and Valentina Kachanovskaya, "The Multiplier for Federal Spending in the States during the Great Depression," *Journal of Economic History* 75/1 (2015), 125–62, at 130. According to the Bureau of Labor Statistics, that comes to under $700 billion in 2009 dollars. New Deal spending was, however, much larger as a percentage of GDP.

different scale. The first is best served by a wide-ranging survey of a concept, the second a profile of a network, the third a study of an individual life. But they are all part of the same history, a narrative whose driving theme is the sustained, and occasionally explosive, growth of a fiscal and administrative state honeycombed with technocrats looking for problems to solve. This development cut across the divide between the New Deal and neoliberal orders, even though it was also shaped by these changing contexts.[22] In this picture, the politics of the economy, the MIT school, and figures such as Lawrence Klein are at the center of the frame, rather than tucked away at the margins. Think of it as the image that comes into sight after taking off the neoliberal lens.[23]

* * *

At the turn of the twentieth century, when this history begins in earnest, Americans did not yet talk about "the economy." Markets, poverty, prosperity, labor, and capital were all part of the Gilded Age's vocabulary, but discussion of "national economy" referred to a way of governing, not to a thing to be governed. With the routine production of statistics on national income, unemployment, and inflation still decades away, Americans lacked basic measurements for an economy's performance. The country did not have a central bank or a national income tax, making it exceedingly difficult to implement coherent monetary or fiscal policies.[24] Specialists in business cycles and monetary theory had developed pieces of what later became macroeconomics, but they had not been welded together into a coherent synthesis.[25]

By the 1950s, all that had changed. Government officials now had access to statistics, tools, and a body of academic research that made it possible to devise a consistent macroeconomic policy. The American state's responsibility for managing the economy was codified in the Employment Act of 1946, which committed the

[22]It has become somewhat commonplace for historians to emphasize continuity across the twentieth century. Typically, however, it has come from accounts underlining the persistence of racial domination, class rule, patriarchy, and US geopolitical primacy. If liberal achievements were more modest than historians once assumed, the neoliberal rollback becomes less significant. See, for example, Brent Cebul, Lily Geismer, and Mason Williams, "Beyond Red and Blue: Crisis and Continuity in Twentieth-Century U.S. Political History," in Cebul, Geismer, and Williams, eds., *Shaped by the State: Toward a New Political History of the Twentieth Century* (Chicago, 2019), 3–23, at 6–9. This article shares the emphasis on continuity but flips the story on its head, highlighting the persistence of Keynesian techniques—usually treated as a prime instance of New Deal governance—into the neoliberal age.

[23]With phrasing borrowed from Matthew Connelly, "Taking Off the Cold War Lens: Visions of North–South Conflict during the Algerian War for Independence," *American Historical Review* 105/3 (2000), 739–69. It bears emphasizing that, just as Connelly's critique of the "Cold War lens" did not lead him to reject the existence of a profound clash between the United States and the Soviet Union, this account does not imply that neoliberalism is a fiction.

[24]On monetary policy and theory in this period see James Livingston, *Origins of the Federal Reserve System: Money, Class, and Corporate Capitalism, 1890–1913* (Ithaca, 1986). On taxation see Ajay Mehrotra, *Making the Modern American Fiscal State: Law, Politics, and the Rise of Progressive Taxation, 1877–1929* (Cambridge, 2013).

[25]For a brief overview see Kevin Hoover, "Macroeconomics, History of From 1933 to Present," in *International Encyclopedia of the Social and Behavioral Sciences*, 2nd edn, ed. James Wright (London, 2015), 400–5.

government to promoting full employment and economic growth.[26] To help meet these goals, it established the Council of Economic Advisers (housed in the executive branch) and the Joint Economic Committee (for the legislature). This shift in the structure of the government was matched by a change in public rhetoric, as evidenced in Harry Truman's State of the Union address from the same year, which featured more references to the economy than all previous such messages combined.[27]

The creation of "the economy" as an object of governance was bound up with the making of Orren and Skowronek's "policy state." Although historians have put to rest the myth of a chronically weak American state, the flight from one oversimplification should not lead to the equally misleading notion of an eternally strong American government. Among other analytic deficiencies, such an account would obscure a very real shift that began around the turn of the twentieth century. Swept up in a transatlantic wave of reform, Americans presided over a transformation in both the size and the character of the federal bureaucracy. This revised system, which had reached maturity by the middle of the century and is still with us today, is defined by a handful of key features: the policy maker's ambition to solve problems dominates; the lines separating legislative, executive, and judicial branches of government blur; political parties wield less influence over the administration of government; and a para-state composed of technically nongovernmental but policy-oriented institutions, such as think tanks, balloons in size.[28]

In the United States, this transformation was linked to a growing consolidation of power in the federal government. To use one crude but revealing measure, federal spending as a percentage of GDP jumped from just under 3 percent of GDP when Herbert Hoover became president in 1929 to almost 20 percent when Dwight Eisenhower took office in 1953.[29] And it has stayed around that level for almost seventy years, never falling below 17 percent and only twice jumping above 24 percent. Over the same period, and despite notable instances of deregulation, the state's influence over corporate life has in crucial respects expanded.[30] In 1953, the Code of Federal Regulations had 18,464 pages. By 2016, it had 185,053.[31] The total number

[26]On which see Stephen Kemp Bailey, *Congress Makes a Law: The Story behind the Employment Act of 1946* (New York, 1950); and Timothy Mitchell, "Economentality: How the Future Entered Government," *Critical Inquiry* 40/4 (2014), 479–507.

[27]Author's own calculation.

[28]The resemblance between Orren and Skowronek's policy state and what Nicos Poulantzas termed "authoritarian statism" is striking. See Nicos Poulantzas, *State, Power, Socialism*, trans. Patrick Camiller (London, 1978); and Bob Jessop, "Kapitalistischer Staatstyp und autoritärer Etatismus: Poulantzas's Staatstheorie als moderner Klassik," in Lars Bretthauer, Alexander Gallas, John Kannankulam, and Ingo Stützle, eds., *Poulantzas Lesen: Zur Aktualität marxistischer Staatstheorie* (Hamburg, 2006), 65–81. Also see William J. Novak, *People's Welfare: Law and Regulation in Nineteenth-Century America* (Chapel Hill, 1996), 235–48.

[29]Federal Reserve Bank of St. Louis and U.S. Office of Management and Budget, "Federal Net Outlays as Percent of Gross Domestic Product," retrieved from FRED, Federal Reserve Bank of St Louis, at https://fred.stlouisfed.org/series/FYONGDA188S.

[30]Naomi Lamoreaux and William J. Novak, "Corporations and American Democracy," at https://tobinproject.org/sites/tobinproject.org/files/assets/Lamoreaux%20&%20Novak%20-%20Introduction.pdf, esp., 33–5.

[31]The total for 1953 is provided in "Code of Federal Regulations: Total Pages, 1938–1949: Total Volumes and Pages 1950–2014," at www.federalregister.gov/uploads/2015/05/Code-of-Federal-Regulations-Total-

of government employees rose as well, increasing from about 6.5 million in 1953 to approximately 22 million today.[32] Little wonder that Milton Friedman complained, near the end of his life, "we have succeeded in stalling the progress of socialism, but we have not succeeded in reversing its course."[33] All of which brings home the force of Theda Skocpol's reminder that, for more than half a century, "Both parties have participated in building up a massive, ramified, expensive, and pervasive national state that actively deploys subsidies, tax breaks, and regulations to shape the economy and redistribute wealth, security, and opportunity."[34]

Where, then, does that leave histories of neoliberalism? The most nuanced observers of the subject have long argued that neoliberalism should be seen as an attempt at redesigning the state to better serve the needs of markets, not as an assault on the state itself.[35] But the neoliberal vision supported a particular kind of government power. Like a deist's God, the neoliberal state was supposed to establish the rules of the game and then withdraw from the scene, intruding only to guarantee that the law was upheld. As Henry Simons of the University of Chicago explained in 1942, it came down to a choice between holding policy makers to "simple, definite rules" and an "infinitely flexible scheme of discretionary action."[36] Simons acknowledged that in practice the distinction between rules and discretion was more of a spectrum than a stark binary, but he insisted on its importance nonetheless. "The question of degree," he wrote, "presents the choice between government by free, intelligent discussion and government by bureaucracy which only revolution can dislodge, i.e., between democracy and 'the managerial state.'"[37] On one side of Simons's binary stood a program based on rules, freedom, and democracy; on the other, discretion, bureaucracy, and unbound managerialism.

The preference for rules over discretion is a hidden thread running through the history of neoliberalism. It helps explain why so many of Hayek's disciples drifted from economics and toward the law.[38] It clarifies Milton Friedman's support for monetarism, with its promise that the mysteries of monetary policy could be dispelled by simply increasing the money supply at a constant rate. (Friedman's idiosyncratic populism also becomes more comprehensible; simple rules offered a way to hold elites accountable to the public.[39]) And it was even present in the writings of supply-side economists, who viewed tax cuts and deregulation as part of a

Pages-and-Volumes-1938-2014.pdf. The total for 2016 is available in "Reg Stats," Regulatory Studies Center, George Washington University, at https://regulatorystudies.columbian.gwu.edu/reg-stats.

[32]US Bureau of Labor Statistics, "All Employees: Government," retrieved from FRED, Federal Reserve Bank of St. Louis, at https://fred.stlouisfed.org/series/USGOVT.

[33]Milton Friedman, "The Battle's Half Won," *Wall Street Journal*, 9 Dec. 2004, A16.

[34]Theda Skocpol, *Obama and America's Political Future* (Cambridge, MA, 2012), 39.

[35]See, for instance, Foucault, *Biopolitics,* 131–46.

[36]Henry Simons, "Hansen on Fiscal Policy," *Journal of Political Economy* 50/2 (1942), 161–96, at 182. The occasion—a hostile review of Alvin Hansen's *Fiscal Policy and Business Cycles*, an important work in the Americanizing of Keynesianism—was revealing. Simons was mounting an assault on New Deal liberalism, and he saw the choice between rules and discretion as an essential weapon.

[37]Ibid. Other neoliberals took a more jaundiced view of democracy than Simons, depicting rules as a way of restraining the public. See, for example, Slobodian, *Globalists*, 11–12; and Nancy MacLean, *Democracy in Chains: The Deep History of the Right's Stealth Plan for America* (New York, 2017).

[38]Slobodian, *Globalists*, 182–217.

[39]Burgin, *The Great Persuasion*, 188.

https://doi.org/10.1017/S1479244322000440 Published online by Cambridge University Press

strategy to boost long-term productivity rates, reducing the importance of managing aggregate demand in the short run.[40]

Economists charged with overseeing the macroeconomy usually viewed matters differently. That was true whether they were appointed by Republicans or Democrats, or were sitting in the Council of Economic Advisers or the Federal Reserve. Like policy makers of all stripes, they generally put a premium on the ability to act quickly and decisively—that is, on discretion over rules.

The policy maker's understandable desire for flexibility was given added strength by the circumstances surrounding the emergence of macroeconomics as a self-conscious field in the middle of the twentieth century. Born from the traumas of the Great Depression, macroeconomists have tended to look more favorably on government intervention than have their counterparts in the dismal science. By 1955, the field had cohered around what Paul Samuelson—a leading figure in developing Americanized Keyensianism—called the "neoclassical synthesis."[41] The crux of Samuelson's argument was that markets only functioned in a stable economy. For microeconomic theory to be relevant, macroeconomists needed to instruct governments in the art and science of moderating the business cycle, swooping in with a well-timed tax cut if growth was sagging, or hiking interest rates if inflation was surging.

As a question of macroeconomic theory, there was a clear divide between rules and discretion. For simplicity's sake, we can call Simons's side of this debate neoliberal and Samuelson's technocratic. And although the distinction between rules and discretion can become fuzzy in practice, it helps to account for otherwise curious paradoxes.

Consider, for instance, the career of Alan Greenspan. Seen from one vantage point, his was a typical neoliberal story. A onetime protégé of Ayn Rand, Greenspan went on to chair the Federal Reserve, where he celebrated the genius of supply and demand while throwing his support behind financial deregulation.[42] "Thanks to globalization," Greenspan argued in 2007, "policy decisions in the US have been largely replaced by global market forces"—a textbook summary of vulgar neoliberalism.[43]

Yet in his role as macroeconomic policy maker, Greenspan was a quintessential technocrat, exploiting to the full his discretionary powers to influence the economy by manipulating interest rates.

Alan Blinder, vice chairman of the Federal Reserve's Board of Governors under Greenspan, noted the irony. "Greenspan would shun the label 'fine-tuner,'" Blinder observed, putting scare quotes around a term often used to dismiss Keynesian tinkering with the macroeconomy, but "his actions (not his words) have breathed new life into the idea by demonstrating that it is actually possible."[44] Blinder

[40]See, for example, Jude Wanniski, *The Way the World Works* (Washington, DC, 1978).

[41]Paul Samuelson, *Economics: An Introductory Analysis*, 3rd edn (New York, 1955), 212.

[42]On Greenspan's life see Sebastian Mallaby, *The Man Who Knew: The Life and Times of Alan Greenspan* (New York, 2016).

[43]Quoted in Wolfgang Streeck, *Buying Time: The Delayed Crisis of Democratic Capitalism* (New York, 2014), 213. "Vulgar" because, as mentioned above, sophisticated neoliberals were usually reconciled to the necessity (if not desirability) of a strong state.

[44]Alan Blinder and Ricardo Reis, "Understanding the Greenspan Standard," paper presented at The Greenspan Era: Lessons for the Future, Jackson Hole, Wyoming, 25–7 Aug. 2005, 27.

described it as "an outstanding example of technocratic policymaking," and a persuasive justification for taking "more policy decisions out of the realm of politics" to "put them in the realm of technocracy."[45] For markets, Greenspan wanted rules; for the economy, discretion. For one, neoliberalism; for the other, technocracy.

And he wasn't alone. In 2010, Stanley Fischer, head of the Bank of Israel, summarized the prevailing consensus among macroeconomic policy makers: "in a recession, in our policy advice we are nearly all Keynesians."[46]

Caveats are in order. That central bankers figure so large in this history, for instance, is revealing. When the politics of the economy were taking shape in the middle of the twentieth century, most policy makers assumed that fiscal policy would be the chief tool for macroeconomic management. The White House and Congress would be the key players, taxes and spending the main subjects of debate. Beginning with Jimmy Carter's appointment of Paul Volcker as chair of the Federal Reserve, however, the center of gravity shifted toward monetary policy, empowering central bankers who were insulated from democratic accountability and keenly attuned to the preferences of financial markets.[47] Volcker's tenure is a case in point: he drove down inflation by instigating a recession, satisfying bondholders at the cost of sending unemployment soaring—and helping doom Carter's reelection.[48] So far, so neoliberal.

But the story doesn't end there. Where Volcker would be remembered for the harsh medicine of the "Volcker shock," Greenspan's Fed was celebrated for engineering a "soft landing"—a decline in growth that did not tip into recession—in 1994 and then for holding back on raising interest rates during the subsequent boom.[49] According to Greenspan, his comparative dovishness was a happy consequence of Volcker's hawkishness. Because Volcker had throttled inflation with an iron fist, Greenspan could fine-tune the economy with a velvet glove. Neoliberal austerity in the 1980s midwifed the rebirth of a chastened Keynesianism in the 1990s.

It's worth noting, too, that as the Federal Reserve became powerful, it also grew more dependent on economists. At mid-century, staffers at a comparatively neutered Federal Reserve often came out of Wall Street, the legal profession, or both. By the 1990s, they were far more likely to wield graduate degrees from economics departments than from law schools.[50] The Fed also became an important producer

[45]Alan Blinder, "Is Government Too Political?", *Foreign Affairs*, Nov.–Dec. 1997, at www.foreignaffairs.com/articles/united-states/1997-11-01/government-too-political.

[46]Stanley Fischer, "Paul Samuelson," 4 Jan. 2010, at http://economics.mit.edu/files/5230. This consensus was not, of course, universal, on which see Yanis Varoufakis, *Adults in the Room: My Battle with the European and American Deep Establishment* (New York, 2017).

[47]On the Federal Reserve see Peter Conti-Brown, *The Power and Independence of the Federal Reserve* (Princeton, 2016); and Lawrence Jacobs and Desmond King, *Fed Power: How Finance Wins* (New York, 2016). For more on the distinctive culture of central banking see Annelise Riles, *Financial Citizenship: Experts, Publics, and the Politics of Central Banking* (Ithaca, 2018).

[48]On Volcker see Judith Stein, *Pivotal Decade: How the United States Traded Factories for Finance in the Seventies* (New Haven, 2010), 227–31; and Krippner, *Capitalizing on Crisis*, 116–20. On the subsequent growth of finance see Gerald Davis and Suntae Kim, "Financialization of the Economy," *Annual Review of Sociology* 41 (2015), 203–21.

[49]Alan Blinder, *A Monetary and Fiscal History of the United States* (Princeton, 2022), 206–20.

[50]Juan Acosta and Beatrice Cherrier date the shift to the 1960s in "The Transformation of Economic Analysis at the Federal Reserve during the 1960s," working paper, Center for the History of Political

of economic knowledge, employing over 400 economists and spending hundreds of millions of dollars a year on economic research.[51]

While politicians and intellectuals paid tribute to the market, technocrats were overseeing the economy. Well into a neoliberal age, Samuelson's neoclassical synthesis—the beating heart of American Keynesianism—was alive and well. And with that background in mind, we can now turn to the group that exemplified the technocratic style of macroeconomics, a select club that included Samuelson, Blinder, and Fischer as members: the MIT school of economics.

* * *

By way of illustration, let's start with a roll call. Here is a partial listing of students who passed through MIT's doctoral program in the 1970s and 1980s: two future chief economists at the IMF (Olivier Blanchard and Kenneth Rogoff); three future chairs of central banks (Bernanke, Mario Draghi of the European Central Bank, and Duvvuri Subbarao of the Bank of India); five future heads of the Council of Economic Advisers (Laura D'Andrea Tyson and Martin Baily under Bill Clinton, Bernanke and N. Gregory Mankiw under George W. Bush, Christina Romer under Barack Obama); and future public intellectuals like Paul Krugman, Julianne Malveaux, and Glenn Loury. Shortly after graduating, Krugman joined MIT's faculty, where he shared departmental space with Stanley Fischer (who, in addition to his work at the Bank of Israel, also served as chief economist at the World Bank and vice chair of the Federal Reserve), Mervyn King (future governor of the Bank of England), and Lawrence Summers (another future chief economist at the World Bank, plus a future Treasury Secretary and head of the National Economic Council). In 2021, Draghi became Italy's prime minister, a decade after Lucas Papedemos (Ph.D. 1978) was chosen for the same role in Greece.[52]

MIT benefited from a distinctive combination of prestige and scale. After a tentative start in its early years—the doctoral program was only established in 1941—the department had made itself the top choice for the most sought-after doctoral students by the 1960s.[53] Its faculty and graduates have since been disproportionately represented across the metrics used to capture a department's standing and influence, including winners of the Nobel Prize, leadership positions in professional organizations, and job placement in other top-tier departments. The John Bates Clark Medal, awarded to the most promising American economist under forty, has gone to an MIT affiliate almost half the time since the first award was handed out in 1947.[54]

Even by the high standards of the modern research university, economics is an intensely status-conscious discipline.[55] In a competitive field, MIT stood at the top.

Economy at Duke University, 29 Jan. 2019, at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3325084.

[51]Timothy Shenk, "The Only Game in Town?", *The Nation*, 7 March 2016, 31.

[52]For a preliminary effort at prosopgraphy see Andrej Svorenčík, "MIT's Rise to Prominence: Outline of a Collective Biography," *History of Political Economy* 46, Supplement 1 (2014), 109–33.

[53]Cherrier, "Toward a History of Economics at MIT," 34.

[54]Svorenčík, "MIT's Rise to Prominence," 124.

[55]Marion Fourcade, Étienne Ollion, and Yann Algan, "The Superiority of Economists," *Journal of Economic Perspective* 29/1 (2015), 89–114.

At the height of its power, it was the department where, in the words of longtime faculty member Robert Solow, "the elite meet to eat."[56] Solow's quip wasn't simply a case of departmental self-regard. When Ben Bernanke told his undergraduate mentor, Harvard econometrician Dale Jorgenson, that he was defecting to MIT for graduate school, Jorgenson replied that it was the right choice, telling him, "You need to go to the best place."[57]

Size also mattered. By the 1970s, MIT boasted one of the largest doctoral programs in the country. With some 1,500 graduates today—including almost 150 supervised by Solow himself—its alumni can be found throughout the highest ranks of academia, government, and the private sector.[58] Between 1977 and 2011, 34 percent of the members of the Council of Economic Advisers had a connection to MIT.[59] And those students report feeling a bond with each other—a sense, as one put it, of being part of "a special extended family."[60]

MIT's rise was fueled by the same factors that lifted the economics profession as a whole in the aftermath of World War II. As economics completed its transformation from a largely verbal science preoccupied with uncovering economic laws to a mathematical science devoted to creating economic models, the department symbolized the new breed of economist-as-engineer.[61] This reputation for technical precision turned MIT into an attractive site for organizations pouring money into economic research, including the government, nonprofit foundations, and the private sector. (It also allowed a faculty dominated by white men to use a particular kind of meritocratic ideal as justification for slighting demands for racial and gender diversity.[62])

The department's tone was set early on by Samuelson, its chief intellectual influence almost from his arrival in 1940.[63] MIT graduates were known for producing elegant models aimed at influencing policy, wedding mathematical ingenuity to practical significance. Politically, they saw themselves as occupants of a vital center, between the libertarianism of a Milton Friedman on one side and the radicalism of Marxists on the other. ("They are a decent bunch on the whole," the left-wing economist Paul Sweezy wrote after a meeting with MIT faculty in 1950, "but, my God, how scared of any realistic analysis."[64]) Scientific discipline and technocratic management blended together seamlessly in this vision of the economist's calling. More than anything in John Maynard Keynes's work, the MIT school's approach set the terms for postwar Keynesianism: a macroeconomic theory rooted in

[56]Cherrier, "Toward a History of Economics at MIT," 37.

[57]Bernanke, *The Courage to Act*, 26.

[58]Svorenčík, "MIT's Rise to Prominence," 113.

[59]Ibid., 127.

[60]William Darity Jr and Arden Kreeger, "The Desegregation of an Elite Economics Department's PhD Program: Black Americans at MIT," *History of Political Economy* 46, Supplement 1 (2014), 317–36, at 329.

[61]Mary Morgan elegantly summarize the mathematical turn in economics in "Economics," in Theodore Porter and Dorothy Ross, eds., *Cambridge History of Science*, vol. 7, *Modern Social Sciences* (Cambridge, 2003), 97–127. Also see E. Roy Weintraub, *How Economics Became a Mathematical Science* (Durham, NC, 2002).

[62]See Darity and Kreeger, "The Desegregation of an Elite Economics Department's PhD Program," 326–31.

[63]On Samuelson's early days at MIT see Roger Backhouse, *Founder of Modern Economics: Paul A. Samuelson*, vol. 1, *Becoming Samuelson, 1915–1948* (New York, 2017), 317–39, 597–613.

[64]Benjamin Feldman, personal message to author, 3 July 2018.

sophisticated mathematics and extensive data collection that claimed the authority of science with the goal of allowing trained experts to manage the economy.

This melding of theory and practice is what Robert Lucas set out to break in the 1970s. The leading University of Chicago macroeconomist in the generation after Milton Friedman, Lucas told incoming graduate students, "We here at Chicago believe that what we do matters and is more important than events in Washington."[65] Too many macroeconomists, he warned, spent their time asking, "What would I do if I were on the Council [of Economic Advisers]?"[66] Politics had triumphed over science, leaving both government and academia worse off. (The story was different for microeconomics, where Chicago economists wielded considerable influence over policy making on issues like antitrust and deregulation. Once again, it came down to the question of rules versus discretion: helping design a market for derivatives was a different kind of intervention than fiddling with the business cycle.)

A generation after MIT economists pioneered the field's mathematical turn, Lucas insisted that they had not gone far enough. The core of his complaint was that the profession had split into two camps that operated on contradictory premises. Microeconomists assumed that individuals were rational actors seeking to maximize utility. Macroeconomists, by contrast, examined the relationship between economic aggregates like inflation and unemployment without bothering to explain how these large-scale shifts were grounded in the decisions of rational individuals. Lucas dismissed Samuelson's neoclassical synthesis as a failed attempt to paper over an intractable divide.[67]

The debate over theories was also a debate over models. To Lucas, Keynesianism's failures were epitomized by the vogue for structural macroeconometric models, those complex systems of equations based on empirical relationships between economic aggregates. Dismissing the models as incoherent, Lucas called instead for a unified approach that would, in the language of the discipline, supply microeconomic foundations for macroeconomic theory. According to Lucas, only models built around rational, forward-thinking actors could provide the scientific grounding for macroeconomics that Keynesians—above all, the MIT school—failed to deliver.[68]

In the technical debates over microfoundations, the next generation of economists sided decisively with Chicago. The attractions of a unified economic theory trumped the practical objections of older Keynesians. By the year 2000, a new approach had taken over the field: so-called dynamic stochastic general equilibrium, or DSGE, models.[69] In the words of a skeptical Robert Solow, DSGE models "take it

[65]Arjo Klamer and David Colander, *The Making of an Economist* (Boulder, 1990), 129.

[66]Arjo Klamer and Robert Lucas, "Robert E. Lucas, Jr.," in Arjo Klamer, *Conversations with Economists: New Classical Economists and Their Opponents Speak Out on the Current Controversy in Macroeconomics* (Totowa, NJ, 1983), 29–57, at 52.

[67]For Lucas's account see Robert Lucas Jr, "Keynote Address to the 2003 HOPE Conference: My Keynesian Education," *History of Political Economy* 36/1 (2004), 12–24.

[68]Robert Lucas Jr, and Thomas Sargent. "After Keynesian Macroeconomics," *Federal Reserve Bank of Minneapolis Quarterly Review* 3/2 (1979), 2–7.

[69]For a critical assessment see Simon Wren-Lewis, "Ending the Microfoundations Hegemony," *Oxford Review of Economic Policy* 34/1–2 (2018), 55–69.

for granted that the whole economy can be thought about as if it were a single, consistent person or dynasty carrying out a rationally designed, long-term plan."[70] These models were the practical instantiation of Lucas's vision of a macroeconomics rooted in microfoundations. Inside academia—including the classrooms of younger MIT professors—they were all but the only game in town.

Outside the university, however, things played out differently. The problem was that DSGE models were difficult to use, relied on wildly unrealistic assumptions about human behavior, and had a terrible track record at economic forecasting. According to critics such as Laurence Meyer, an economic forecaster and Federal Reserve governor who received his Ph.D. from MIT in 1970, the result was "a caricature that's so silly that you wouldn't want to get close to it if you were a policymaker."[71]

So government officials looked elsewhere for guidance. MIT alum N. Gregory Mankiw noted the irony in 2006 after stepping down as head of George W. Bush's Council of Economic Advisers. "The sad truth," he said, "is that the macroeconomic research of the past three decades has had only minor impact on the practical analysis of monetary or fiscal policy."[72] According to Mankiw, the worldview of the typical economic policy maker "would seem almost completely familiar to someone who was schooled in the neoclassical–Keynesian synthesis that prevailed around 1970 and has ignored the scholarly literature ever since."[73] When the Bush administration estimated the impact of a proposed tax cut—a policy that, Mankiw noted, the White House defended as an act of countercyclical Keynesian management—they used a model kept up by Laurence Meyer's consulting firm, the same model that both Republican and Democratic administrations had used for almost twenty years. Variations of the model also shape decisions at the Federal Reserve, the Office of Management and Budget, the Congressional Budget Office, and the Treasury Department, along with Fortune 500 companies and central banks around the world.

Models based on old-line Keynesianism lived on in government because policy makers took it for granted that they needed something to predict the consequences of their actions. The same theoretical inconsistency that troubled academics made it easier to fit structural macroeconometric models to the data, enabling researchers to produce a broad range of forecasts and offer plausible accounts about the relationships between different parts of the economy. (DSGE models also had a notoriously difficult time representing the financial sector, an ironic twist, given the Chicago school's contribution to the financialization of the economy.) And so vintage pieces of Keynesian orthodoxy remained a favorite way of seeing like a policy state long after they were discarded by academics.[74]

[70]Robert Solow, US Congress, House of Representatives, Committee on Science and Technology, *Building a Science of Economics for the Real World*, 111th Congress, 1st sess., 2010, 12.

[71]Mark Sniderman, "Interview with Laurence Meyer," *Forefront* 1/3 (2010), 22–7, at 24.

[72]N. Gregory Mankiw, "The Macroeconomist as Scientist and Engineer," *Journal of Economic Perspectives* 20/4 (2006), 29–46, at 42.

[73]Ibid., 40.

[74]On the virtues of structural econometric models for policy makers see David Stockton, "What Makes a Good Model for the Central Bank to Use?", speech, Federal Reserve Bank of San Francisco, 2 March 2002, at www.frbsf.org/economic-research/files/panel_remarks.pdf.

https://doi.org/10.1017/S1479244322000440 Published online by Cambridge University Press

By the turn of the twenty-first century, macroeconomists were decades into a slow-motion crisis pitting academic theorists against policy makers. Even Lucas conceded partial defeat. "We may be disillusioned with the Keynesian apparatus," he said in 2003, "but it doesn't mean that this replacement apparatus [of DSGE modeling] can do it either. It can't."[75] With their trademark pragmatism, alumni of the MIT school like Mankiw shuttled between two worlds, using one language for professional journals and another for government papers.

The Great Recession brought this crisis into the public eye. "The economics that dominated academe," the prominent financial journalist Martin Wolf observed in 2014, "proved useless in predicting, tackling or even imagining the biggest financial debacle in the world's most advanced economies for eighty years."[76]

Meanwhile, historians were becoming ever more concerned with charting the influence of economists, especially those who contributed to the neoliberal turn: Milton Friedman, Gary Becker, Robert Lucas, and the rest of the Chicago school; Friedrich Hayek, Ludwig von Mises, and other members of the Austrian school (or, as Quinn Slobodian would have it, the Geneva school); and James Buchanan and his disciples at the Virginia school.

That influence was real, but limited. Explaining the reach of the MIT school, the persistence of Keynesian policy making, and the surprising durability of structural macroeconometric models requires a different approach. Taking a close look at the career of Lawrence Klein—MIT's first economics Ph.D., popularizer of the term "Keynesian Revolution," and pioneering macroeconometric modeler—seems like a good place to start.

* * *

On 10 December 1980, one month after Ronald Reagan's landslide election to the presidency, Lawrence Klein received a Nobel Prize in economics. A memorandum for the Nobel Prize acknowledged that Klein might seem like an odd choice. He had "no great book, no outstanding single work which would by itself probably justify a seat in the hall of fame." Nonetheless, his practical influence has been enormous. "His model-building activities," the memorandum observed, "were essentially changing laboratories to which came students and government officials from all over the world."[77] Klein didn't win a Nobel because of a field-defining article. He won it by marshaling the resources—intellectual, financial, material—to produce the structural econometric models that symbolized actually existing Keynesianism.

Some of those talents were already on display during his undergraduate years. Born in Omaha, Klein moved west in 1938, enrolling first at Los Angeles City College, then transferring to UC Berkeley. He was a child of the Great Depression, drawn to economics by the promise of understanding the catastrophe

[75]Lucas, "My Keynesian Education," 514.

[76]Martin Wolf, *The Shifts and the Shocks: What We've Learned—and Have Still to Learn—from the Financial Crisis* (New York, 2014), 195–96.

[77]R. J. Ball, "On Lawrence R. Klein's Contributions to Economics," *Scandinavian Journal of Economics* 83/1 (1981), 81–103, at 92.

that had defined his young life. At Berkeley, he put together a curriculum at the intersection of mathematics, statistics, and economics (including spending a summer as a research assistant to George Kuznets, younger brother of Simon Kuznets).[78] His first scholarly publication, a short comment in the *Quarterly Journal of Economics*, appeared during his senior year.[79] Although Klein's politics at the time are unclear—he was cagy about the subject later in life, for reasons that will be discussed shortly—the economics department leaned to the left. John Kenneth Galbraith, who received his Ph.D. from Berkeley in 1934, said that the ideological spectrum ranged "from liberal to revolutionary."[80] "The graduate students with whom I associated were uniformly radical," he recalled, "and the most distinguished were communists."

Sterling recommendations from Berkeley cleared the way for Klein's arrival at MIT in 1942. (He was ineligible for the draft because of lasting damage from a childhood car accident.) Klein quickly gravitated to Paul Samuelson, a twenty-seven-year-old assistant professor who came to MIT after earning his doctorate at Harvard. More an academic older brother than a traditional mentor, Samuelson gave Klein a front-row seat of the campaign to turn his brand of mathematically demanding economics into the discipline's lingua franca, encouraging Klein to take up intellectual arms in the battle for technical rigor.

Samuelson also provided Klein with the idea for what became his dissertation, published in 1947 as *The Keynesian Revolution*. The book doubled as both a mathematical reconstruction and a critique of Keynes's theory. Klein broke the Keynesian revolution into two parts—first, thinking seriously about the "working of economic systems as wholes"; second, investigating how economies could arrive at equilibria that resulted in needlessly high unemployment.[81] In short, the Keynesian revolution was an essential part of the birth of macroeconomics (another term Klein helped to popularize).[82]

But Klein believed that Keynes had not gone far enough. Whatever his earlier politics, Klein was now clearly on the left, writing caustically about the limits of "bourgeois economics" and chiding Keynes for taking an excessively harsh line on the Soviet Union.[83] Klein acknowledged that Keynes might be correct to argue that, with the right guidance from experts, capitalism could sustain full employment while maintaining price stability. But, echoing Michal Kalecki, Klein warned that technocratic logic alone would not persuade capitalists to accept reduced shares of power or income.[84] And without drastic reform, he predicted,

[78]The fruits of their research were published in G. M. Kuznets and Lawrence Klein, *A Statistical Analysis of the Domestic Demand for Lemons: 1921–1941* (Berkeley, 1943).

[79]Lawrence Klein, "The Relationship between Total Output and Man-Hour Output: Comment," *Quarterly Journal of Economics* 56/2 (1942), 342–43.

[80]Quoted in Richard Parker, *John Kenneth Galbraith: His Life, His Politics, His Economics* (New York, 2005), 37.

[81]Lawrence Klein, *The Keynesian Revolution* (New York, 1947), 41.

[82]For Klein's early usage of the term see Lawrence Klein, "Macroeconomics and the Theory of Rational Behavior," *Econometrica* 14/2 (1946), 93–108.

[83]Klein, *Keynesian Revolution*, 68, 78, 185.

[84]Ibid., 185. For Kalecki's analysis see Michal Kalecki, "Political Aspects of Full Employment," *Political Quarterly* (1943), 347–56.

https://doi.org/10.1017/S1479244322000440 Published online by Cambridge University Press

"the economic law of motion of capitalism will take us down the same road that Germany followed so recently."[85]

Keynesianism, then, was a step toward a comprehensive economic theory—but only a step. Instead, Klein endorsed a synthesis of Keynesianism and Marxism that blended the former's careful economic reasoning with the latter's sweeping social analysis.[86] Then he called for a comprehensive system of economic planning and hinted at support for socializing the means of production.[87] Klein's goals were egalitarian: a program for "the common man" that delivered "true economic democracy."[88] But he showed little concern for democratic procedure, dismissing the legislature as "too slow and cumbersome to provide the flexibility needed" for effective countercyclical policy.[89] In Klein's view, "the common man" would have to accept a government of experts.

After graduating from MIT in 1944, Klein took the next steps in developing his fusion of Keynes and Marx. He was recruited to join the Cowles Commission, an incubator for mathematical economics in the postwar era, bringing together statistical analysis, probability calculus, and economic theory.[90] Housed at the University of Chicago from 1939 to 1955, Cowles became an unlikely hub for a transnational collection of economists with grand visions for remaking the economy, a kind of left-technocratic Mont Pèlerin Society. "We members of Cowles were seeking an objective that would permit state intervention and guidance for economic policy," Klein later said.[91] Politically, the spectrum at Cowles ranged from New Deal liberalism to socialism—and, in Klein's case, communism.[92]

Klein joined the Communist Party in 1945, shortly after moving to Chicago. The details of his thinking at the time are hazy, but we know that he taught a course on economics for one of the party's local chapters and attended at least some meetings over his two years in the city. Writing to Samuelson, he mentioned that he had been reading the three volumes of Marx's *Capital* and mocked Henry Simons for being concerned with "revolution of the bondholders and not the revolution of the unemployed."[93] He also published, in 1947, a translation of

[85]The phrase "economic law of motion" was a favorite of Marx's.

[86]Klein, *Keynesian Revolution*, 184.

[87]Ibid., 167, 180.

[88]Ibid., 186, 187.

[89]Ibid., 180.

[90]On Cowles see Carl Christ, "History of the Cowles Commission, 1932–1952," in *Economic Theory and Measurement: A Twenty Year Research Report* (Chicago, 1952), 3–67; Clifford Hildreth, "The Cowles Commission in Chicago, 1939–1955" (Center for Economics Research, University of Minnesota, Oct. 1985); Marcel Boumans, "Friedman and the Cowles Commission," in Robert A. Cord and J. Daniel Hammond, eds., *Milton Friedman: Contributions to Economics and Public Policy* (New York, 2016), 585–604.

[91]Lawrence Klein, "Econometric Contributions of the Cowles Commission, 1944–47: A Retrospective View," *Banca Nazionale del Lavoro Quarterly Review* 3/3 (1991), 107–17, at 112.

[92]House of Representatives Committee on Un-American Activities, *Investigation of Communist Activities in the State of Michigan: Part I* (Washington, DC, 1954), 5000–1. On Klein's time in the Communist Party also see "Lawrence Klein, Federal Bureau of Investigation File," Department of Justice, Washington, DC.

[93]Lawrence Klein to Paul Samuelson, 2 Nov. 1945 and 9 April 1945, Box 45, "Klein, Lawrence, 1994–2006," Paul Samuelson Papers, David M. Rubenstein Rare Book and Manuscript Library, Duke University.

what he called "Marx's literary explanations" into "a determinate system of equations."[94]

At Cowles, Klein was hired to produce one of the first models of the American economy, with the hope of bridging the gap between Keynesian theory and econometric model building.[95] The details of the project differed from what he learned under Samuelson, but its spirit was in keeping with what became the MIT approach: a marriage of empirical inquiry and mathematical rigor with obvious relevance for policy making. Although Klein recognized that his models did not offer a complete portrait of the economy, he was confident they would mature with time. Economic theory would advance, data would improve, and computers would grow more and more powerful. One day, the models could provide the basis for the comprehensive economic planning that would make socialism in the United States possible. Klein's faith in economic planning stayed with him, even after he left Cowles in 1947 and allowed his membership in the Communist Party to lapse.

He set out on an econometrician's *Wanderjahr*, beginning with a stint in Canada as a consultant to a team of economists working on the country's first macroeconometric model, then winding his way across Europe. Though no longer a communist, he was still on the left, writing glowingly about Nordic social democracy's willingness to "disregard all preconceived notions about the supposedly optimal properties of a free-market economy" and assuring Samuelson that he was "sticking by my point that planning is superior to competition."[96] Back in the United States, he honed his statistical skills with a brief stay at the National Bureau of Economic Research. Next he took up a tenure track position at the University of Michigan, where in 1953 he debuted his latest macroeconometric model, setting the template for decades of subsequent research in the field.

With McCarthyism at its peak, however, Klein's past membership in the CP put his career in a precarious position. In 1954, he testified to the House Un-American Activities Committee, where he apologized for serving as a useful idiot for the reds. Although most of his colleagues at Michigan stood by Klein, the conservative economist William Paton led a campaign against him, insisting that the faculty had "no need for a thoroughgoing Socialist professor at this juncture."[97] When it became clear that tenure would not be forthcoming, Klein decamped for Oxford, where he once again began the arduous work of assembling the resources—the money, the assistants, the data, the computers—to build a new model from scratch.

Klein's exile was short-lived. In 1957, he was offered positions at both UC Berkeley and the Wharton School of the University of Pennsylvania. After being assured of protections for his academic freedom, he accepted the position at Wharton.

[94]Lawrence Klein, "Theories of Effective Demand and Employment," *Journal of Political Economy* 55/2 (1947), 108–31, at 120.

[95]Keynes was famously hostile to Jan Tingbergen's pioneering econometric model, on which see Kevin Hoover, "Man and Machine in Macroeconomics," working paper, Center for the History of Political Economy at Duke University, 2012, at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2144351.

[96]Quoted in Fuchs, "Economics as a 'Tooled' Discipline," 164; Lawrence Klein to Paul Samuelson, 10 Dec. 1948, Box 45, "Klein, Lawrence, 1994–2006," Samuelson Papers.

[97]Quoted in Fuchs, "Economics as a 'Tooled' Discipline," 101.

Why would one of the world's leading business schools hire an ex-communist during some of the chilliest days in the Cold War? It helped that Klein renounced his past radical associations. More important, though, was the intellectual climate. Americanized Keynesianism was at its zenith, and Klein's models were seen as its most sophisticated expression, which made hiring him a coup for Wharton.

The wager on Klein paid off. With funding from the Ford Foundation, the Rockefeller Foundation, and the National Science Foundation, he put together a team of research assistants and threw himself back into modeling. He became the department's most popular supervisor and a sought-after consultant, assisting the Brookings Institution and Federal Reserve in creating and maintaining models of the American economy, along with helping the governments of Japan, Mexico, and Israel create their own national models.[98] He also regularly fielded questions from former students working as house economists at major corporations that wanted models to help plan their budgets. Klein saw demand, and he came up with a way to supply it.

With assistance from his research team, he could build proprietary models of the economy and license them to corporate clients. Profits could fund graduate students to work with him. The students would produce more models, which would generate more profits, which would fund more students. In 1963, with an initial roster of clients that included GE, IBM, and Bethlehem Steel, Klein turned econometric forecasting into a business. The group did well enough that they decided to incorporate. And so in 1969 Wharton Econometric Forecasting Associates (WEFA) was born.[99]

The firm's range was enormous. WEFA's early customers included AT&T, Dow Chemical, and Goldman Sachs. By 1975, they had more than 150 subscribers, drawn from companies around the world, along with public agencies and international organizations. The funding supported about fifteen graduate students at a time, along with training sessions for economists from abroad. WEFA performed special studies as well, from running simulations for the Department of Defense to building a model for the state government of Mississippi. Meanwhile, rival firms began producing their own models, creating a thriving industry. By 1980, the three largest companies—WEFA, Chase Econometrics, and Data Resources International—were bringing in more than 100 million dollars in revenue year.[100] As Keynesian theory was struggling to adapt to an era of stagflation, and as business leaders poured money into campaigns meant to put conservative politicians in office, corporations were funding an unapologetically Keynesian enterprise. Eventually, the WEFA was sold to a

[98]On the demand for macroenometric modeling in this period see Roger Backhouse and Beatrice Cherrier, "The Ordinary Business of Macroeconometric Modeling: Working on the Fed–MIT–Penn Model (1964–1974)," *History of Political Economy* 51/3 (2019), 425–447.

[99]Lawrence Klein, "A Biographical Note on Wharton-EFU; EFA, Inc.," Box 18, "Wharton EFA, 1970," and Klein, "Background Notes: The History and Structure of Wharton Econometric Forecasting Associates, Inc. (WEFA)," 1975, "1975, M," Lawrence Klein Papers, David M. Rubenstein Rare Book and Manuscript Library, Duke University (hereafter Klein Papers).

[100]Jon Hilsenrath, "McGraw-Hill, Thomson Units Merge to Form Separate Entity," *Wall Street Journal*, 7 May 2001, B12.

private company, earning Klein a tidy sum of $1 million. He poured the money back into his research.[101]

Klein had matured from a youthful radical into a technocratic reformer happy to work within the system, and to collect a handsome paycheck for doing so. But entrepreneurial success had not made him into an evangelist for the invisible hand. He believed that a prosperous economy required support from a powerful state guided by the best available economic research, and he maintained that in a just world the benefits of growth would be widely shared. This was an expansive Keynesianism that, outside the US, would have gone by the name of social democracy.

But he was also convinced that Keynesianism needed to adapt if it was going to survive. The problem, he argued, was that even the most ambitious macroeconometric models were invariably national in scope, which made them poor fits in an era of global economic interdependence. To Klein, the solution was obvious: he would build models of the global economy to provide the technical basis for a globalized Keynesianism. The WEFA had given him the infrastructure he needed, and decades at the highest echelons of academic economics supplied him with a network of international connections. Many of his students had come from abroad, often using their dissertation to produce the first macroeconometric models of their home country. Support from the IMF and UN took care of finance and logistics. And so Project LINK, the first attempt to construct a global macroeconometric model, was born.[102]

In recognition of Klein's influence, LINK's headquarters were in Philadelphia, but it had outposts at sites ranging from Brussels to Kyoto. By 1979, it had been officially brought under the auspices of the UN.[103] A decade later, eighty national teams regularly updated their models, which were brought together in a final product that consisted of more than twenty thousand equations. Some one hundred economists from these research centers came together at annual meetings held in the UN. Those gatherings attracted a growing number of socialists, including representatives from Poland, Hungary, and China. Though about half the national models had been developed at LINK headquarters, the group also stimulated local efforts. Spanish economists named their country's forecasting center after its inspiration: El Instituto de Predicción Económica "Lawrence R. Klein."[104]

The timing of all this merits reflection. Histories centered on either the rise of the right or the onset of neoliberalism often begin in the 1970s.[105] In both the narrow world of academic economics and the wider political arena, however, it is better

[101]"Lawrence Klein: Honoring and Remembering a Model Economist," *Knowledge@Wharton*, 25 Oct. 2013, at https://knowledge.wharton.upenn.edu/article/lawrence-klein-honoring-remembering-model-economist.

[102]Lawrence Klein, "Project LINK Year-End Report," Box 20, Folder 5, Klein Papers. On parallel efforts by other globally minded macroeconomists of this period, including Jan Tinbergen and Wassily Leontief, see Slobodian, *Globalists*, 221–4.

[103]Lawrence Klein, "A Decade of Research for Project LINK," June 1979, Box 30, Klein Papers.

[104]The organization still exists. Its website can be found at www.uam.es/otroscentros/klein.

[105]Important examples include Bruce Schulman and Julian Zelizer, eds., *Rightward Bound: Making America Conservative in the 1970s* (Cambridge, MA, 2008); Laura Kalman, *Right Star Rising: A New Politics, 1974–1980* (New York, 2010); and Robert Self, *All in the Family: The Realignment of American Democracy since the 1960s* (New York, 2012).

https://doi.org/10.1017/S1479244322000440 Published online by Cambridge University Press

to think of the period as a time of instability and flux. What Robert Lucas said of economic theory in 1980 could be applied to the era as whole. It was, he said, "total chaos."[106] The period was not simply a time of liberal retreat and conservative advance. Instead, debate was exploding, and in the resulting turmoil economists were pulled in multiple directions at once.

So were politicians, which is why in 1975 a long-shot presidential candidate named Jimmy Carter asked if Klein would meet with him.[107] That Carter needed an economic adviser was never in doubt. "The economy is the issue of 1976," said a key member of the Democratic National Committee early in the campaign season.[108] And as the *New York Times* observed, "no Presidential candidate would brave the race in the post-Keynesian 1970s without one or more economic advisers."[109]

The logic at work here paralleled the explanations for the rise of econometric consulting in the 1970s. The faith that economists had mastered the workings of the economy had not survived "the post-Keynesian 1970s." But government agencies and major corporations had come to depend on the knowledge that economists claimed they could provide. Time and again, institutional necessity sustained economists when their intellectual legitimacy faltered. Politicians, corporations, policy makers—all of them treated economists as flawed but indispensable prophets.

In 1976, the economist Jimmy Carter most often looked to for guidance was Lawrence Klein, who became the campaign's chief economic adviser. Klein told Carter that the chief economic problem facing the country was declining productivity, not rising inflation. To be sure, inflation was an issue, but it was a consequence of the productivity slump, and it could not be cured by the usual Keynesian policies of tax cuts and monetary stimulus. To solve this macroeconomic problem, the government had to dive into microeconomics, helping plan the operations of individual industries.[110]

Successful planning required the right tools, and that meant constructing models uniting Keynesian visions of the economy as a whole with a detailed mapping of specific industries. These models would reconcile microeconomic supply management and macroeconomic demand management at home while incorporating that unified theory into a model of the global economy.[111] Out of the crisis of the 1970s, Keyensianism would be reborn, becoming more global and more granular at the same time. When asked by an interviewer for an economics journal whether his program simply amounted to "national economic planning," Klein replied, "In professional terms you and I know what it means. But if we use any explosive language then we won't get anywhere."[112]

[106]Robert Lucas, "The Death of Keynesian Economics," in Lucas, *Collected Papers on Monetary Theory*, ed. Max Gillman (Cambridge, MA, 2012), 500–3, at 502.

[107]Lawrence Klein, interview by Richard Jolly, 4 Jan. 2002, United Nations Intellectual History Project, Rare Book and Manuscript Library, Columbia University, New York.

[108]Quoted in Soma Golden, "Candidates in Search of Economic Wisdom," *New York Times*, 28 Dec. 1975, 109.

[109]Ibid., 112.

[110]Klein interview, United Nations Intellectual History Project.

[111]Klein summarized the approach in Lawrence Klein, "The Supply Side," *American Economic Review* 68/1 (1978), 1–7.

[112]Lawrence Klein, "Keynes and Leontief: Merging the Models," *Challenges* 21/1 (1978), 64–5, at 65.

Klein managed to insert the outlines of his agenda into Carter's speeches, which called for "coordinated government planning" on a litany of domestic economic issues, backed by international macroeconomic cooperation.[113] But whatever hopes Klein had for a White House position suffered a serious blow in October 1976, when Republicans made Klein's past membership of the Communist Party into a minor scandal.[114] His name was occasionally mentioned as a possible head of the Council of Economic Advisers, but Carter opted for a safer choice.[115] Charles Schultze had been director of the Bureau of the Budget under Lyndon Johnson and was a longtime fellow at the Brookings Institution. He was also, unlike Klein, given to rhapsodizing the wonders of the invisible hand.[116]

The pivot from Klein to Schultze offered a preview of policy making under Carter, when glimmers of a left revival quickly flickered out of existence. Civil rights activists, organized labor, and influential congressional Democrats joined forces behind a campaign for a "New New Deal" that culminated with Carter signing the Humphrey-Hawkins Act, rededicating the government to pursuing full employment.[117] International Keynesianism had its moment in the sun when members of the Group of 7 (G7) nations agreed to a program meant to boost demand across the industrialized world while keeping down inflation.[118] But Humphrey-Hawkins was a watered-down version of the agenda that liberals envisioned, and international Keynesianism was undone by the oil shock of 1979, sending petrodollars into the London Euromarket rather than capital-starved economies. Of more lasting significance were Carter's contributions to the neoliberal turn: enthusiastic support for deregulation, reluctant endorsement of a capital gains tax cut, and the unwitting policy revolution he set in motion by selecting Paul Volcker to chair the Federal Reserve.[119]

Disappointed by politics at home, Klein turned his attention abroad. Project LINK survived, although, without a mechanism for implementing a global macroeconomic policy, it could never live up to his early aspirations. Klein himself was courted by clients around the world, one of whom became a particular favorite: the People's Republic of China.

Klein took the first of what would be many trips to the PRC in 1979. He returned a year later to preside over a forty-day workshop on econometrics attended by more than a hundred Chinese students.[120] Working in tandem with

[113]House Administration Committee, *The Presidential Campaign 1976*, vol. 1, part 1 (Washington, DC, 1978), 147.

[114]James Sterba, "Mondale and Dole to Debate Tonight," *New York Times*, 15 Oct. 1976, 37.

[115]Helen Dewar, "Carter Lists 16 Candidates for Top Economic Posts," *Washington Post*, 1 Dec. 1976, A7.

[116]On Schultze see W. Carl Biven, *Jimmy Carter's Economy: Policy in an Age of Limits* (Chapel Hill, 2002), 46–9.

[117]Patrick Andelic, "'The Old Economic Rules No Longer Apply': The National Planning Idea and the Humphrey-Hawkins Full Employment Act, 1974–1978," *Journal of Policy History* 31/1 (2019), 72–100.

[118]Daniel Sargent, *A Superpower Transformed: The Remaking of American Foreign Relations in the 1970s* (New York, 2010), 240–42.

[119]Jonathan Levy, *Ages of American Capitalism: A History of the United States* (New York, 2021), 572–83.

[120]Lawrence R. Klein, "Lawrence R. Klein," in *Lives of the Laureates: Ten Nobel Economists*, 2nd edn, ed. William Breit and Roger Spencer (Cambridge, MA, 1990), 38–9; Lawrence Lau, "A Giant, Mentor, Master,"

Chinese officials and outside groups like the Ford Foundation, Klein would continue helping to cultivate econometrics in China for the rest of his career. (The idea had come from one of the foundation's Asian specialists, Peter Geithner, father of future Treasury Secretary Timothy Geithner.[121]) He also joined an effort to remake the economics curriculum, helping to bring the foundations of modern American economics—courses like micro, macro, and statistics—to the country.

Both of these efforts were elements of an initiative that Klein had considerable sympathy for: creating a socialism that had both Chinese and Keynesian characteristics. Maoism had been surprisingly compatible with what the Yale economist (and Keynesian) James Tobin described as "old-fashioned bourgeois rectitude" on deficits. Klein's recruitment was part of a shift under Deng Xiaoping toward a more expansive fiscal policy.[122] He was rewarded for his contributions in 1992 with an appointment as an adviser to the government's State Planning Commission. According to news reports at the time Klein was the first Westerner to serve in that capacity. His job, he told an interviewer, would be to assist in "preparing and building models to study China's economy."[123]

Back in the United States, Klein's style of modeling continued to find grateful audiences. The 1980s had been tough: Reagan flaunted his disregard for expert predictions, modelers failed to anticipate the scale of the Volcker shock, and major companies increasingly relied on financial derivatives to shape their view of the future.[124] But the industry survived a wave of consolidation, and business leaders showed a clear preference for old-guard Keynesian macroeconometrics over the more academically fashionable DSGE models.[125]

The victory was even clearer inside the government, so much so that a 1991 editorial for the *Wall Street Journal* labeled macroeconomics "the enemy within."[126] Written by Jude Wanniski, onetime editor of the *Journal*'s opinion section, the essay blamed "grotesquely elitist" modelers for strangling the supply-side revolution by understating the positive impact of tax cuts. "The macro computers actually control policy," Wanniski (hyperbolically) lamented. Wanniski traced this baleful story back to Lawrence Klein, noting that the economist had produced his first model of

*China Daily Asia*, 4 Nov. 2013, at www.chinadailyasia.com/opinion/2013-11/04/content_15096156.html; Li Zinai, "Three Developmental Stages and Tasks of China's Econometrics," in Shouyi Zhang, Tongsan Wang, and Xinquan Ge, eds., *Quantitative Economics in China: A Thirty-Year Review* (Singapore, 2015), 97–111, at 102. For background see Julian Gerwitz, *Unlikely Partners: Chinese Reformers, Western Economists, and the Making of Global China* (Cambridge, MA, 2017).

[121]Gregory Chow, *Understanding China's Economy* (London, 1994), 64. Timothy Geithner would soon begin a career at the Treasury Department, where he would be charged with supervising forecasts of Japan's economy. The experience left Geithner dubious of forecasting, but he ascended the ranks of the Treasury, where he would serve under Lawrence Summers, nephew of Paul Samuelson. Timothy Geithner, *Stress Test: Reflections on Financial Crises* (New York, 2014), 39.

[122]Quoted in P. B. Trescott, "How Keynesian Economics Came to China," *History of Political Economy* 44/2 (2012), 341–64, at 342.

[123]Sondra Wudunn, "Learn from West," *South China Morning Post*, 29 Nov. 1992, 21.

[124]Peter Passell, "This Model Was Too Rough," *New York Times*, 1 Feb. 1996, D1.

[125]Noah Smith, "The Most Damning Critique of DSGE," *Noahpinion*, 10 Jan. 2014, at http://noahpinionblog.blogspot.co.uk/2014/01/the-most-damning-critique-of-dsge.html.

[126]Jude Wanniski, "Macroeconomics: The Enemy Within," *Wall Street Journal*, 27 June 1991, A14.

the American economy while "still in his Marxist phase," a bit of red-baiting that summoned memories of another "enemy within."

Predictably, Klein offered a more sober assessment of his work. Reminiscing in 1987 about his time at Cowles, he said, "we accomplished much more by way of model building and using than we ever thought possible in our wildest dreams of postwar America, but it was never good enough."[127] In the 1940s, economists had believed they were on the brink of "a complete breakthrough." Instead, they had made "very tiny improvements."[128] These incremental advances were not what he had aspired to in his youth. "We thought it would be much easier, at the beginning," he said, "but it is not all that easy."[129]

And yet the significance of his work, and of kindred efforts in the field of practical economics, was enormous—a fact brought into relief by the Great Recession. During the worst days of the financial crisis, two initiatives played crucial roles in propping up what people now referred to without a second thought as the "global economy." One was an international push for monetary stimulus led by Ben Bernanke, arguably history's most effective Keynesian. Bernanke's decisions were shaped by models that were direct descendants of Klein's, and he was assisted in his efforts by Bank of England chair Mervyn King, who had shared office space with Bernanke at MIT in the early 1980s.[130] The other measure was a massive fiscal stimulus launched by the Chinese government; as a percentage of the nation's GDP, it was equivalent to a more than $2 trillion stimulus in the United States.[131]

These policies were straight out of the Keynesian playbook—a playbook that figures like Klein had kept alive for a crisis like this one. It was an extraordinary feat of discretionary policy making at a global scale designed by practical macroeconomists who had forged an international community of policy makers that spoke a common language and shared a common worldview. And it was led by a team of experts all the more important for being, to most people most of the time, invisible.

* * *

What framework makes sense of careers like Klein's and Bernanke's? Klein's grandest dreams—whether it was synthesizing Marx and Keynes in the 1940s, or globalizing Keynesianism while resurrecting national economic planning in the 1970s—all went unrealized. Even Bernanke's more modest goals proved unobtainable. Despite acting quickly in the financial crisis, he was blindsided by its arrival. After the initial rounds of stimulus spending under Bush and Obama, Bernanke

[127]Klein, "Lawrence R. Klein," 24.

[128]Lawrence Klein and Robert Mariano, "The ET Interview: Professor L.R. Klein," *Econometric Theory* 3/3 (1987), 409–60, at 419.

[129]Ibid., 447.

[130]Rich Miller and Jennifer Ryan, "Europe Crisis Rescue Begins with MIT Men as a Matter of Trust," *Bloomberg*, 12 Jan. 2012, at www.bloomberg.com/news/articles/2012-01-12/rescuing-europe-from-debt-crisis-begins-with-men-of-mit-as-matter-of-trust.

[131]On China's stimulus see Christine Wong, "The Fiscal Stimulus Program and Problems of Macroeconomic Management in China," 32nd Annual Meeting of Organisation for Economic Co-operation and Development Senior Budget Officials, 6–8 June 2011, at www.oecd.org/gov/budgeting/48143862.pdf.

spent his remaining years at the Fed calling for additional fiscal support that never arrived, becoming a loathed figure on the populist right in the process. Intellectually adrift and politically imperiled, technocrats stumbled through the Obama era, only to discover another crisis waiting for them in 2016—and then again in 2020.

Yet macroeconomists remained the front lines of defense in the campaign to prevent another Great Depression. Paradoxically, the importance of the economy in political debate provided some defense from the polarization that consumed much of American politics. While Supreme Court confirmations turned into media spectacles, appointments to the Federal Reserve remained comparatively decorous affairs. Central bankers retained their ability to act quickly and effectively, a skill that became even more prized during an era of partisan gridlock. In an age of fracture and polarization, the grand totality called "the economy" loomed large enough to overshadow the divide between Democrats and Republicans.

Although this is not an example of neoliberal triumph, neither is it a history of unbridled technocracy. Politicians and policy makers might not have trusted the economy to the government of rules alone, but the implicit promise of the neoclassical synthesis—that steady economic growth ensured both market efficiency *and* social stability—lost credibility in a time of stagnating median incomes and mounting alienation from government.

What macroeconomics still lacked, as it had when Lawrence Klein wrote *The Keynesian Revolution*, was a broad vision of social and political reform. This narrowness could be an asset, allowing basic Keynesian techniques to be applied in radically different contexts—governmental or corporate, social-democratic or neoliberal, even capitalist or communist. But the economy was part of a broader system torn between the conflicting demands of markets and bureaucracy, plutocracy and populism, democracy and managerialism. Overseeing the economy was just one of the responsibilities taken up by an American state that had grown into a behemoth whose reach extended around the globe and into the most intimate corners of everyday life. Yet this was a clumsy colossus, a government that staggered from crisis to crisis—some economic, some political, some epidemiological—unable to impose order on its domain, let alone remake a status quo buffeted by recurring populist revolts.

Whether the resulting system is best described as neoliberal, it was widely regarded as an unlovely thing. And the experts tasked with overseeing the economy could offer precious little advice on how to fix it.

**Acknowledgements.** I would like to thank the editors at *Modern Intellectual History*—especially Angus Burgin—and this journal's anonymous reviewers for their many contributions to improving this article. Elizabeth Blackmar, Eric Foner, Daniel Immerwahr, Timothy Mitchell, Samuel Moyn, and Adam Tooze provided incisive comments on earlier drafts. Earlier versions of this article were also presented in front of UC Santa Barbara's Beyond the New Deal Order Conference, Cornell University's "Histories of Capitalism 2.0," and faculty in the history departments at Princeton, Cambridge, and the George Washington University.

**Cite this article:** Shenk T (2023). Taking Off the Neoliberal Lens: The Politics of the Economy, the MIT School of Economics, and the Strange Career of Lawrence Klein. *Modern Intellectual History* **20**, 1194–1218. https://doi.org/10.1017/S1479244322000440