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OFFICE OF THE PRESIDENT

MEMORIAL RESOLUTION

LORIE TARSHIS

(1911 - 1993)

Lorie Tarshis died in Toronto, Canada on October 4, 1993. He was Assistant, then Associate, and then full Professor of Economics at Stanford from 1946 to 1971, and he chaired the Department from 1967 to 1971. After leaving Stanford and returning to his birthplace, at the age of 60, Tarshis taught at Scarborough College, University of Toronto, from 1971 to 1978; he held the Chair in the Division of Social Sciences there from 1971 to 1975. He became the Director of Research at the Ontario Economic Council from 1978 to 1980. He then returned to teaching, this time at Glendon College, York University, in Toronto, from 1982 to 1988, where he was first a Lecturer in the graduate faculty and then Professor and Acting Chairperson of the Department of Economics during the final three years of his teaching career. His last years were marred by serious illnesses, and he spent the final 18 months in a nursing home, where he died.

Tarshis was born on March 22, 1911, in Toronto. He graduated from the University of Toronto in 1932 with a B. Comm. degree. In that year, he won the Massey Scholarship and went to Trinity College, Cambridge University. There, having prepared for the second part of the Economics Tripos, he earned a B.A. degree with first-class honors in 1934. He was later awarded the Trinity Exhibitioner Fellowship, which enabled him to stay on as a senior scholar for two more years. Subsequently, Tarshis received an M.A. from Trinity in 1938 and a Ph.D. in 1939, after he had returned to North America.

During his four years at Trinity College, Tarshis was greatly influenced by the lectures of John Maynard Keynes, who, in the year of Tarshis's arrival, began a new series of lectures on "The Monetary Theory of Production," which put Tarshis on the ground floor of what would become the Keynesian Revolution. He had many contacts outside of the lecture hall with Keynes, for he was invited immediately upon his arrival at Cambridge by that eminent economist to join his Political Economy Club, which met many Monday evenings in Keynes's drawing room from 7:30 PM to almost midnight. During each session, someone – often Keynes – read a paper, and then lots were drawn to determine the order in which all members would comment. If anyone had no comment to make, he still had to get up, go over to the fireplace, and say so. Tarshis

participated for four years in these stimulating and demanding discussions on the latest advances in economic theory, including especially the work that Keynes was then engaged in which led, in 1936, to the publication of *The General Theory of Employment Interest and Money*. Later, Tarshis wrote a valuable paper, which has remained unpublished, concerning these years when the Keynesian Revolution was being developed. Here Tarshis explained how Keynes supplied “hope that prosperity could be restored and maintained without the support of prison-camps, executions and bestial interrogations” – a clear reference to the Soviet Union. Tarshis’s lecture notes over the four years also comprise a valuable record of these times.

In 1936, Tarshis accepted an instructorship at Tufts University, in Bedford, Massachusetts. His post at Tufts enabled him to join the lively Harvard economics community of the day. Here he came armed with knowledge of Keynes’s new theories and, together with a fellow Canadian returnee, Robert Bryce, he became a major figure in teaching the new economics first to the young instructors and graduate students and then to a resistant faculty. It is fair to say that Tarshis was in the vanguard in bringing Keynes to America.

Tarshis’s dissertation, *The Determinants of Labour Income*, was completed under the direction of Maurice Dobb and Dennis Robertson, (who themselves were former students of Keynes). Both competed with Keynes for Tarshis’s attention while he was at Cambridge. In this work and in follow-up research during the 1930s, Tarshis embodied the latest advances in price theory and in income theory that he had absorbed at Cambridge in studies of movements in money and real wages and in the rise and fall, during business cycles, of labor’s share of the national income. In one research paper using U.S. data, he proved that money and real wages were pro-cyclical, both rising during economic upturns and falling together during downturns. This finding refuted Keynes’ assertion in the *General Theory* that during cycle phases money and real wages moved in opposite directions. Tarshis’s positive correlations between the two variables pointed to less price inflation during boom conditions than Keynes and others had assumed, and he buttressed these statistical results with cogent theory. The publication of Tarshis’s research in this area, in three articles, established him, early in his career, as a first-rate empirical investigator and theorist.

Tarshis was a Carnegie Fellow at the National Bureau of Economic Research during 1939-1940. In 1942, he was promoted to Assistant Professor at Tufts and also became a U.S. citizen, initially joining the war effort by serving on the U.S. War Production Board. From 1943 to 1945, he was with the U.S. Air Force in Libya, Tunisia, and Italy as an operations analyst of bombing raids.

Tarshis came to Stanford after the war. He had first been noticed by Professor Edward Shaw, when Shaw was a visitor to Cambridge in 1936 and attended several of Dennis Robertson’s seminars, in which Tarshis was a student. Shaw was so impressed by Tarshis that he pledged at that early date to get him to Stanford, and this turned out

to be Shaw's first appointment when he assumed the Chair of the Department in 1941.
(Tarshis's actual arrival, however, was delayed by the war.)

In 1947, Tarshis published the first textbook on the elements of economics that was based on the microeconomic theory advances during the 1930s (centered in the “two Cambridges”), on the new macroeconomics of Keynes, and the modern view that economic concepts should be measurable and capable of being illustrated by data. Tarshis also introduced several other new ways of analyzing the economy, as well as the new concepts and measurements of national income, the 1939-1941 findings of the Temporary National Economic Committee of the U.S. Congress, and a point of view that some considered liberal-leftist.

Tarshis was highly critical of big business (“monopolies”), looked more approvingly on labor unions, put much emphasis on the economic harm caused by the maldistribution of income and wealth in this country, expressed skepticism about the usefulness of the gold standard, approved of government deficits and of an increase in the national debt under certain circumstances, and in general called for greater government involvement in the economy on the ground that a general policy of *laissez-faire* was not sufficient to ensure the health of the economy. These views all flowed from the theory and discussion presented in the text, and all were meant by Tarshis to strengthen and preserve the capitalist system (an aim of Keynes himself), reduce poverty, and contribute to world peace.

But the textbook immediately shattered the academic peace, both at Stanford and elsewhere. It was quickly attacked by some of its conservative readers – and by many others who never read it – beginning as early as August, 1947 in a long, hostile review by Rose Wilder Lane, a conservative publicist and editor of the *Economic Council Review of Books*. Her review was distributed widely by the President of the National Economic Council, Merwin K. Hart, to trustees, administrators, and others associated with colleges and universities, as well as to congressmen and other political leaders, in an overt attempt to prevent the use of the book.

Stanford’s President, Donald Tresidder, was caught up in the controversy and suddenly found himself in lengthy correspondence with disturbed and irate alumni and others. (After Tresidder’s death in January, 1948, the Acting President, Alvin C. Eurich, carried on.) A congressman wrote that left-wingers like Tarshis were silencing the more gentle right-wing professors. Even Herbert Hoover wrote a “Dear Don” note about the complaints he had heard about the book, but he offered no advice. The Dean of the Graduate School of Business at Stanford called Tresidder’s attention to the book’s “pro-socialist propaganda.” One Stanford trustee wrote Tresidder: “If Tarshis’ theory is correct it won’t be long before Stanford’s endowment income won’t have enough purchasing power to buy a package of cigarettes.” Tarshis was accused by others of being a Marxist, having un-American views, and favoring Soviet communism over American freedom. To another letter writer, he was a “foxy minded... Russian-Communist Jew.” A Santa Ana publisher wrote to Tresidder that much of the textbook was “absolutely incompatible with the spirit of the Declaration of Independence and the

Ten Commandments.” The entire episode now appears as a notable anticipation of the McCarthy period that soon followed.

Before all of this had time to erupt fully, Tarshis’s book was adopted by at least 100 colleges and universities, including almost all the Ivy League schools. However, the mounting campaign against the book, joined vigorously a few years later by William F. Buckley, Jr., in his *God and Man at Yale* (1951), and the appearance in 1948 of the first edition of Paul Samuelson’s textbook – soon to sweep much of the market for many years – greatly reduced the demand for Tarshis’s own book. It should be added that Tresidder, Eurich, and others at Stanford, including M. K. Bennett, Dean of the School of Social Sciences, and B. F. Haley, then Chairperson of Economics, conducted themselves honorably throughout the attacks.

During his 25 years at Stanford, Tarshis contributed greatly to the welfare of his Department and the University. He became known as an uncommonly good and caring lecturer in the many courses – especially the large undergraduate ones – that he taught. He published several important articles on Keynesian theory, put out two more textbooks, contributed with his colleagues – Emile Despres, Edward Shaw, and Tibor Scitovsky – in research and publications on war economics and international trade and finance, and published still other papers in edited volumes. He led the Department with a competent and steady hand as Chairperson, during the troubled years of the late 1960s and the early 1970s.

Tarshis left Stanford in 1971, owing to his desire to lengthen his teaching career and to his growing dissatisfaction over trends in the political and war policies of U.S. administrations. The Korean and Vietnam wars, he later wrote, “damned capitalism’s finest hour” (i.e., the years 1946 to 1971). In his later years in Toronto, he continued to apply Keynesian economics to urgent issues of the day, and he increasingly became attracted to world economic affairs, writing several significant articles and books in this area, including *World Economy in Crisis* (1984), in which he addressed the serious problems of unemployment, inflation, and the heavy indebtedness of developing countries.

Tarshis exposed the error of public policy in Canada and the United States during most of the 1970s and early 1980s that allowed output to remain far below its economic potential, at an annual cost to each nation, as he put it, which considerably exceeded its annual losses from earthquakes, floods, fires, and other natural disasters. Tarshis argued that the decline of output was caused by “stupid policies” that fought inflation by reducing aggregate demand. He proposed remedies for attacking stagflation by reductions of sales, excise and payroll taxes, user fees, and tariffs (even contemplating negative rates for some or all of these imposts) as well as the lowering of interest rates, all to the ends of increasing both aggregate supply of and aggregate demand for goods and services. At the same time, the fall of interest rates and the rise of aggregate demand would ease the debt burden on developing countries. But, he believed that

much of this debt should properly be written off by its creditors, for much the same reasons as Keynes argued 65 years earlier for a light reparations burden on Germany and for the cancellation of other war debts.

While Tarshis enjoyed these forays into the public policy arena, his greatest pleasure came from the stimulus and challenge of teaching young people the foundations of his discipline, which he did to the final days of his professional career.

Tarshis was married in 1937 to Elizabeth Kent. This marriage, while producing three children, was upset by the war years and dissolved in 1949. In that year, he married Inga Rappaport, whom he had met in Rome during the war. One daughter, Tanya, came from this marriage. Inga and the four children—Susan Tarshis of North Montpelier, Vermont; Andrew of Roseville, California; Janet Ancel of Montpelier, Vermont; and Tanya Tarshis of Toronto—survive him.

Inga herself was an accomplished concert singer and brought to the family much of the culture of Italy and Europe. Together, Inga and Lorie led a romantic and enlightened life, replete with good music, art, books, conversation, and love.

John G. Gurley, Chair
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