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AN AGENDA WITHOUT A PLAN: ROBERT E LUCAS'S
TRAJECTORY THROUGH THE PUBLIC DEBATE

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An Agenda without a Plan: Robert E Lucas’s Trajectory through the Public Debate

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Abstract

This article explores Robert E. Lucas’s policy agenda and his engagement with the public debate between 1968 and 1987. It investigates how he interacted with the public debate by envisioning key principles of his macroeconomic theory and methodology, and how he promoted his policy agenda. An exploration of Lucas’s personal and professional archives sheds light on his participation on policy debates after the publication of his topical works, illustrating how Lucas developed a unique way of dealing with science in the public debate by building a distinctive, discreet and cautious way of engaging with the public. Lucas did not embody the traditional elements of an “economic expert”: he did not envision an action plan, nor proposed a detailed program to successfully implement his policy agenda. The article suggests that, unlike other economic experts, Lucas’s participation in the public debate was “unintended”: the public always *solicited* Lucas to express his opinion and advice, not the opposite.

JEL Codes: B22, E30, H10

Keywords: Robert E. Lucas; Lucas Critique; Monetary policy; Fiscal policy; Tax policy; Policy rules

1. Introduction

Robert Lucas's opponents frequently convicted him of seeking the "triumph of conservative ideology over liberalism", as Alan Blinder (1988, 278) put it. Accordingly, through his theoretical work, Lucas would have pursued a political purpose, associated with what political scientists and economic historians call "the neoliberal turn" at the end of the 1970s. In this literature (Fourcade-Gourinchas and Babb, 2002; Prasad, 2006; Krippner, 2007; Burgin, 2012; MacLean, 2017), however, economists such as Milton Friedman, James Buchanan and Arthur Laffer are granted a major role, while Lucas is ignored or at best considered as a "minor" character, mostly assimilated with monetarism (for instance, Lindvall, 2009, 709). In contrast, the literature on the history of macroeconomics (Hoover, 1988; Vercelli, 1991; Backhouse and Boianovsky, 2013; De Vroey, 2015) depicts Lucas as the intellectual leader of a fundamental change in macroeconomic theory and methodology.

This article sheds light on Lucas's work on macroeconomics and his interventions in the public debate in the 1970s and 1980s.¹ It investigates Lucas's exact thoughts on economic policy issues and how he was acting to promote his ideas. Firstly, we show that Lucas developed, during the 1980s, a well-defined vision of the issues relevant to macroeconomic policy and listed a set of policies he envisioned for the U.S. economy, which will be referred hereafter as his "policy agenda". We illustrate how Lucas's agenda resulted from his own peculiar set of political beliefs, theoretical and methodological stances, suggesting how it should be considered original and substantially different from those of other economists of that time.

Secondly, we demonstrate how Lucas was *not* actively promoting his policy agenda: he did not propose any "action plan" to implement his policy recommendations successfully.² Consequently, he was not a predominant figure in the press or the political public debate; likewise, he was not contributing actively to the work of policy-making institutions, lobbies or think tanks. In this respect, Lucas did not follow the route taken by his contemporaries (Buchanan, Friedman, Laffer, Robert Solow or James Tobin). Thus, Lucas's interaction with the public sphere differs from the other economists discussed in this special issue: Lucas was not an official (or informal) advisor to politicians or policymakers, counselling and eventually changing their mind about concrete policies (such as Walter Heller, or Albert Hirschman); he was not intervening in the public debate through the medias, popularization books or conferences to persuade or educate the laymen (as did Arthur Pigou); he was not a member of

¹ Note that we focus on that homogeneous period (1966-1987) corresponding to Lucas's academic work on the study of business cycles and monetary policy. After 1987, Lucas changed his focus to growth theory.

² Our work discusses Lucas's *own action* within the public sphere, and not his *influence*. In other words, we focus on Lucas's writings and practices, and not on the influence on (or reception by) others of his economic contributions. For instance, Lucas (1976 [1973]) famous Critique lived "a life of its own and means different things to different people", as emphasized by Lucas (2012) himself: the reception of this idea is then beyond the scope of our paper (for an account of the reception of the Lucas Critique, see for instance Goutsmedt et al., 2017). We also only marginally refer to the interaction of the public with the broader stream of ideas coming from Lucas's closest co-authors (Thomas Sargent, Neil Wallace, Edward Prescott) or disciples ("the New Classical macroeconomics").

any consultative body to policy-making institutions, producing technical advice and guidance to the conduct of economic policy (such as Franco Modigliani or Lawrence Klein).

However, thanks to archival evidence, our investigation also shows that Lucas was no J.D. Salinger. Unlike the author of *The Catcher in the Rye*, Lucas did not live for decades in solitary retreat from the world. The evidence points out to his singular, discreet and cautious way of engaging with the public debate: Lucas followed closely the policy and political debate of the 1970s and 1980s, he corresponded with politicians, he delivered few interventions in the press, and he animated the debate with his peers who were working in policymaking institutions. But his participation in the public debate was “unintended”: the public always *solicited* Lucas to express his opinion and advice, not the opposite. This challenges the usual boundaries drawn in the literature between “academic” and “expert”. If we took a general definition of economic expert (or “economic adviser”) as someone who “claims to have a jurisdiction” (Abbott, 1988) on issues in policymaking because of his “skills and credibility” (Eyal, 2013, 869), Lucas does not fit this definition because he did not *claim* his jurisdiction on policy issues. Our portrait of Lucas points out how he was, in his peculiar way, more than just an academic lost in his mathematics, but less than an expert.

Our contribution unveils two aspects of Lucas’s work—his views about policy-making and his interaction with the public debate—that have been overlooked by historians of economics, especially compared to his role in shaping the theoretical turn in macroeconomics.³ This article addresses a different perspective by pursuing an investigation of Lucas’s trajectory through the “lens of practice” (Stapleford, 2017), i.e. exploring how he was “doing economics” (*ibid.*) through an analysis of his discourse, policy recommendations and the use of economic concepts in various contexts. Therefore, our original sources include both academic and non-academic published and unpublished writings from Lucas’s archive—which constitute an essential source to unveil on Lucas’s engagement with the public debate.⁴

This article is structured as follows: section 2 presents Lucas’s policy agenda and its peculiarities. Section 3 builds a chronological trajectory of Lucas’s interaction with the public. Lastly, some concluding remarks are addressed.

³ Lucas himself tends to downplay these aspects. In his interview with Snowdon and Vane (2005, 292) he claims: “Nobody other than professional economists would even have heard of me. No one in the US Congress is going to say ‘I favour Lucas’s policy’. The reply would be, ‘who is Lucas?’! [laughter].” It is indeed true that, when tracking Lucas’s name in other sources (hearings the Congress, or at the Fed), we found rather evidence of his *absence* than of his presence.

⁴ Archives are essential because, given the discreet nature of Lucas engagement with the public debate, it would otherwise impossible to detect it from other sources. However, an important caveat to be raised about the use of archive research of a live persona is the possibility of sample bias. Put differently, the sample of documents can be subject to an intended selection process in order to *create* a specific character, or aspirational self. This problem is inherent to the use of any archive and, more broadly, to a historical reconstruction relying on the sole writings of the author. Conscious of this, our work also uses other sources (academic papers, press, and congressional records) to build a consistent and reliable investigation of Lucas’s thought and action.

2. Lucas's Policy Agenda

This section illustrates that Lucas developed and expressed a well-defined vision of macroeconomic policy issues, as well as policy recommendations for the U.S. economy in several articles (1977, 1978, 1979, 1980a), and in particular in “Rules, Discretion and the Role of Economic Advisor” (1980b). We expose how this agenda was original in the policy landscape of the time: it opposed itself to Keynesianism, but also to “supply-side” economics that inspired the Reagan administration.⁵ Lucas rejected what he called “meticulous day-to-day management” (i.e. devising immediate and temporary action for current problems) practiced by Keynesianism, as well as by supply-side economists. Instead, he urged for a long-term vision relying on “institutional design” of binding rules for economic policy.

2.1 Fighting the Keynesian and Supply-Side Policy Agendas

Lucas suggested that macroeconomics had been historically convening two policy agendas, which he called “day-to-day management” and “institutional design”. For him, early business cycle theorists of the beginning of the 20th century (such as Friedrich Hayek and Wesley Mitchell) conceived macroeconomics as devoted to “institutional design”, i.e. “[identifying] institutional sources of instability” in order to mitigate economic fluctuations by “appropriate institutional changes” (Lucas, 1977, 8). For Lucas, this view was overshadowed by the *General Theory* and its subsequent developments, which brought a “sharp change in the nature of the contribution to policy which economists hoped to offer and which the public has come largely to accept.” (*ibid.*) According to Lucas, what qualifies this change is the “belief that policy could affect immediate, or very short-term, movements of the economy from an undesirable current state, *however arrived at*, to a better state” (*ibid.*, Lucas’s emphasis). Instead of aiming at mitigating economic fluctuations, this new policy agenda focused on the notion of “involuntary” unemployment. This implied that economic policy “can and should be directed at the attainment of a particular, specifiable *level* of the measured rate of unemployment” (Lucas, 1978, 353).

The debate between these two policy agendas had, for Lucas, deeper roots in a divergent set of political beliefs: they resulted from another long-standing and “never changing” conflict between “mercantilism and government intervention vs. laissez faire and free market” (Lucas in Levy, 1993, 3). In a draft to his review of Tobin’s *Asset Accumulation and Economic Activity* (1980), Lucas argued that there were “two schools of macroeconomic (and perhaps all) social

⁵ Note that, in the 1980s, the label “supply-side economics” could refer to three different groups. First, to macroeconometricians endeavouring to develop the “supply-side block” of their models, following Klein (1978)’s AEA presidential address and the pioneering contributions of Bruno and Sachs (1979). It could also refer to the study of the effects of tax policies on supply—to contrast with the Keynesian focus on demand—as in Feldstein (1978) and Boskin (1978). Lucas (1990) refers to this latter when using this label—and claiming his role as a forerunner of this approach (Lucas and Rapping, 1969). Finally, outside academia, the label came to designate the idea (popularized by Laffer and his curve) that decreasing taxes will increase government revenue. Today, though Feldstein and Boskin both advised Reagan’s administration (Campagna, 1994), the label is mostly associated with Laffer (especially in the literature on the “neoliberal turn”).

policies” that propose different policy agendas. Those aiming at “keeping the power of government to injure” would be inclined to endorse an institutional design; those aiming at “exercise [power] more effectively” would adopt a day-to-day management (RLP, Box 23, Folder “Tobin”). As Lucas further asserted, the inner division between the two policy agendas was the belief (or the lack of faith) in the ability of market economies to self-regulate. Therefore, choosing between institutional design and day-to-day management was equivalent to state whether “the role of government in stabilization policy should be to reduce its own disruptive part or actively to offset private sector instability” (Lucas, 1981a, 235).

According to Lucas, the rise of Keynesian macroeconomics and its day-to-day management policy agenda were intertwined with an overall shift in U.S. political beliefs towards more government intervention. Keynesian macroeconomics rather “*rationalize* this activism” (Lucas, 1980b, 267), which was established by the Employment Act of 1946:⁶

[Keynesian macroeconomics] defined itself to be that body of expertise the existence of which was presupposed in the Employment Act, and its practitioners devoted themselves to the development and refinement of forecasting and policy evaluation methods which promised to be of use in the annual diagnosis-prescription exercise called for by the act. (Lucas, 1980b, 201)

For Lucas, the Employment Act also fostered a change in the role of the macroeconomist in the public sphere and his/her relationship with policymakers. Academic knowledge should be devised as a support economic expertise, “equipping” experts with tools for “operational guidance” on a daily basis:

Within the existing institutional framework, the role of the economic expert as day-to-day manager expanded rapidly, and the role of the academic macroeconomist became that of equipping these experts with ideas, principles, formulas which gave, or appeared to give, operational guidance on the tasks with which these economic managers happened to be faced. (ibid. 202)

The day-to-day management policy agenda supported by Keynesian macroeconomics and fostered by the Employment Act seemed to be justified by the postwar expansion—though “it is impossible to distinguish good luck from good policy” (Lucas, 1977, 10). But it faced a crisis

⁶ The Employment Act—an “American version” of Britain’s 1944 White Paper—resulted from the efforts of Alvin Hansen (a Federal Reserve Board consultant at the time), other Harvard economists (Richard Gilbert, Walter Salant, Gerhard Colm) and U.S. decision-makers from the Federal Reserve Board and Budget Bureau to call for a formal governmental commitment to full employment. It emphasized economic stabilization, which included attacking both deflation (one of Hansen’s concerns) and inflation, as well as stimulating aggregate demand not only as a spender, but also through changes in tax structure to spur private investments. There is, however, some controversy on the representativeness of the Employment Act as a benchmark to Keynesian macroeconomic policy in the postwar, particularly due to Alvin Hansen’s role as one of the leading figures in propagating “Keynesian” ideas in the U.S. (Guizzo, 2016).

with the 1970s stagflation, which was partly due, for Lucas, to policy mistakes in the 1960s (Goutsmedt, 2017a). Therefore, during the early 1980s, Lucas relentlessly blamed the persistence of this specific policy agenda despite its apparent fail. U.S. institutions, academics, policymakers and the general audience still demanded *immediate* action on *current* economic problems. For Lucas, the mass media played a major role in devising “new” problems and in urging “new” theories for policymaking:

To the journalist, each year brings unprecedented new phenomena, calling for unprecedented new theories (where “theory” amounts to a description of the new phenomena together with the assertion that they are new). (Lucas, 1980a, 697)

According to Lucas, the aftermath of the oil shocks fueled the development of new *ad hoc* models for day-to-day management:⁷

This is the legacy of stagflation: a general loss of confidence, whether scientifically warranted or not, in the formerly accepted framework guiding discretionary economic management. Since the demand for discretionary policies remains strong, we are seeing the proliferation of new “solutions” to “short-run” policy problems, defended by the promise of particular results but without basis in either theory or historical experience.” (Lucas, 1980b, 204)

In Lucas’s view, the same attitude was still widespread among macroeconomists, both in policy-making institutions and in academia. As an illustration, he targeted Paul McCracken *et al.*’s (1977) OECD report “Towards Full Employment and Price Stability”.⁸ For Lucas (1979, 162), such kind of “vacuous” patchwork of “ambiguous and unsupported opinions” exemplified the crisis of day-to-day management. The report proposed a “list of issues which have been defined in popular debate as ‘policy problems’” and associated to these problems a “treatment by government action” without any “consistent set of economic principles underlying either the choice of questions to be addressed or the policy stances which are recommended” (*ibid.*).

Lucas thought that most academics shared the same unfortunate attitude. At the NBER Bald Peak conference (October 1978), Stanley Fischer asked to Lucas, William Poole, and Solow to prepare a discussion of “what policy should have been in 1973-75” (Fischer, 1980, 2-3). In his speech, Lucas objected:

Economists who pose this “What is to be done, today?” question as though it were somehow the acid test of economic competence are culture-bound (or institution-bound) to an extent they are probably not aware of. They are accepting as given the entirely unproved hypothesis that the fine-tuning exercise called for by the Employment Act is a desirable and feasible one. (Lucas, 1980b, 208)

⁷ Here, Lucas is targeting specifically Laffer and Arthur Okun.

⁸ McCracken has also been chairman of the Council of Economic Advisers (1969-1971) under Nixon.

When commenting on Tobin (1980), Lucas explicitly raised the question of alternative policy agendas:

Does [Tobin] think that our economic authorities should continue to formulate monetary and fiscal policy on a year-to-year basis, as unconstrained as they now are by legislative or constitutional limits on what policies may be selected, or does he see our task as that of designing new rules of the game, and conceiving institutional frameworks capable of enforcing them? (Lucas, 1981d, 564)

Past and current abidance by the former policy agenda had proven catastrophic during the 1970s, and the time was come, for Lucas, to promote a change:

The capitalist democracies have paid dearly for their neglect of this question over the past decade. If we continue to evade it, as I read Tobin advocating we do, we are in for a good deal worse. (ibid., 566).

The “culture-bound” or “institutional-bound” made the day-to-day management agenda so persistent and widespread that both Keynesian and non-Keynesian macroeconomists perpetuating this way of thinking. In an opinion column in *The New York Times Magazine*, Lucas also argued that supply-side economics and Keynesian economics were two sides of the same coin:

Today, deficit spending is rationalized by the novel doctrines of supply-side economics. Yesterday, the same policies were defended by the logic of Keynesian economics (Lucas, 1981c).

Lucas believed that changing this state of affairs required a scientific revolution in macroeconomics that would result in a change in the conduct of economic expertise.⁹ The rise of Keynesian ideas promoted and rationalized a specific policy agenda for macroeconomics, based on day-to-day management; similarly, the counter-revolution that Lucas was devising would lead to another policy agenda.

2.2 Lucas’s Policy Agenda: Macroeconomics as Institutional Design

Lucas’s policy agenda changed the scope of macroeconomic policies: *exit* involuntary unemployment, *enter* the business cycle. As there was “no coherent idea as to what full

⁹ He recognized that promoting such a change was difficult, at least as long as “the economic manager responsible for advising ... the size of the coming fiscal year deficit [will be] uninterested” in listening to it (Lucas, 1980b, 201). However, he saw an “encouraging” signal in the adoption of Resolution 133—integrated in the Federal Reserve Act in 1977 (*ibid.*, 208). The resolution committed the Fed to maintain long run growth of monetary supply consistent with the economy’s long run potential growth (Weintraub, 1978).

employment means or how it can be measured” (Lucas, 1978, 353), it made no sense to devise monetary and fiscal policies to tackle this imaginary involuntary unemployment—this is even “real and dangerous hypocrisy”, and it “does no service to unemployed people to talk about it as though it were” (Lucas, 1987, 105).¹⁰ Lucas’s arguments mirrored Friedman (1968)’s idea that targeting unemployment is purposeless as there is no way to measure a full-employment or a natural rate of unemployment.

The level of unemployment was still a relevant policy issue to Lucas; however, he considered it to be an issue for public finance and welfare economics—whereas macroeconomics should be concerned solely with the business cycle. Then, Lucas saw two separate approaches in policy-making—each one dealing with one specific policy issue:

The policy problem of reducing business cycle risk is a very real and important one, and one which I believe monetary and fiscal policies directed at price stability would go a long way toward achieving. The problem of finding arrangements for allocating unemployment risks over individuals ... is also important, and can be analyzed by the methods of modern welfare economics. (Lucas, 1981a, 246)

Welfare economics can deal with unemployment “in total ignorance of the nature of business-cycle dynamics”, while “the discovery of better business cycle theories will contribute little or nothing” to the understanding of welfare issues such as social insurance or income distribution (Lucas, 1987, 105).¹¹

Lucas emphasized that macroeconomic policy should focus on *mitigating* business cycles; or, put differently, to reduce the variance of macroeconomic aggregates, primarily price level. This agenda, similarly to the day-to-day management approach, had deeper roots in the “never-changing” dilemma between “two schools of macroeconomic policy” that discuss different levels of interventionism; as previously mentioned, whether “the role of government in stabilization policy should be to reduce its own disruptive part, or actively to offset private sector instability” (Lucas, 1981a, 235). Lucas never hid his preference for the first school and his faith in the self-regulating abilities of market economies.

Then, the role of macroeconomists is to “design institutions” that ensure a stable environment for economic activity. By “institutions” Lucas means *binding policy rules* for the government to follow (“institutional arrangements which bind us to follow them”, Lucas, 1981b, 564). In “Principles of Fiscal and Monetary Policy” (1986), Lucas clarifies:

¹⁰ This idea obviously echoed Lucas’s theoretical and methodological project for macroeconomics (see De Vroey, 2015).

¹¹ For instance, welfare theory will discuss the level of unemployment compensation, which determines the natural rate of unemployment. “Severe penalties” for unemployed could for instance “reduce unemployment rates to any desired level”, but also reducing output (Lucas, 1981a, 246); whereas a generous compensation scheme would “involve a subsidy to being unemployed” (*ibid.*), but, by ensuring a sure current income, it could encourage risk-averse workers to seek a new job.

The most useful way to think about government policy is as a choice of rules of the game to which government is committed for some length of time” (104).

This form of commitment is already valid for other, non-economic domains of public action: ensuring commitment to rules is simply the reason “why democratic governments have constitutions that are difficult to change and legal systems that respect precedents and ‘due process’” (*ibid.*). The same should be true for macroeconomic policies, and such rules need to encompass all governmental institutions involved.¹²

Then, Lucas endorses Buchanan and Wagner (1977)’s idea of enforcing an “economic constitution”:

We need, in Buchanan and Wagner’s useful terminology, an “economic constitution” and we are at last beginning to develop the economic theory that will be helpful in designing it. (Lucas, 1987, 104)¹³

There are two reasons, in Lucas’s view, that justify the superiority of a policy agenda based on institutional design over that based on day-to-day management: optimality and scientificity. Optimality relates to Lucas’s vision of macroeconomic theory, while scientificity links to his understanding of the relation between science and political beliefs.

Lucas (1986) introduced *optimality* (or also, in his words, “efficiency”, or: “for each citizen, attaining the highest welfare level”, 129) as the criterion to discuss (and choose) alternative economic policies.¹⁴ There, he presented a simple general equilibrium model to deduce “the neoclassical welfare-economic principles that bear on the efficient conduct of national, or aggregative, monetary and fiscal policy” (*ibid.*, 117). This model emphasizes how *only policy rules can be optimal* in terms of welfare. A crucial principle in supporting this argument is the notion of time-consistency (forcefully argued by Kydland and Prescott, 1977). As for designing institutions of macroeconomic policy, a general equilibrium model is essential to the extent it allows to “quantify the welfare cost of simple (and non-optimal) rules for fiscal and monetary management” (Lucas, 1986, 132).

In a nutshell, Lucas anchored his policy agenda about rules—or institutional design—in his theoretical and methodological view of macroeconomics, which presupposes that macroeconomic models should be formulated with a theoretical framework that is consistent with what he identifies as “general equilibrium” (meaning the Arrow-Debreu neo-Walrasian

¹² As emphasized by Lucas’s criticism of Reagan’s tax policy, the monetary and fiscal authorities should both commit to mutually consistent rules: “it is not within the abilities of any central bank to make things work out right in a society that insists that the real resources spent by its government can exceed, on a sustained basis, the resources that government extracts from the private sector via taxes.” (Lucas, 1981a, 30)

¹³ See also Lucas (1980b, 209; 1986, 132).

¹⁴ Although the discussion of optimality of policy rules could be found already in Lucas (1972b, section 7), where he discussed Paretian optimality of a Friedman-type monetary policy rule over other policy rules.

approach). This encompasses a set of distinctive assumptions: individual optimizing behavior, market clearing, and rational expectations. The commitment to this methodology for macroeconomics *also* results in a specific policy agenda.

However, for Lucas theoretical general equilibrium models that discuss optimality are not enough to justify a policy agenda scientifically. As emphasized by De Vroey (2011), Lucas was concerned with the inevitable intertwining of theory and political beliefs.¹⁵ Therefore, he considered that policy prescriptions drawn from theories can be translated into policy agendas *if and only if* they were accompanied by empirical findings.¹⁶ Macroeconometric models are devoted to this task: providing scientific (empirical) assessment for alternative policies.

Lucas's emphasis on models was not particularly original, given the well-established macroeconometric tradition of the 1970s and 1980s. He indeed recognized that advances in model-building were the most positive contributions to economics made by the Keynesian day-to-day management era (Lucas, 1980a, 701). In his famous Critique (Lucas, 1976), however, he rejected the possibility that such models would be able to provide any reliable quantitative evaluation of discretionary policy (distinctive of "day-to-day management"). He aimed precisely at demonstrating that

the ability to forecast the consequences of "arbitrary", unannounced sequences of policy decisions ... appears to be beyond the capability not only of the current-generation models, but of conceivable future models as well. (Lucas, 1976, 280).

The Lucas Critique argues that only rules can be assessed with "scientific quantitative policy evaluations" (*ibid.* 279, Lucas's emphasis), i.e. by using macroeconometric models. The theoretical argument about optimality then becomes secondary:

*The preference for "rules vs. authority"¹⁷ in economic policy making suggested by [my] point of view is not ... based on any demonstrable optimality properties of rules-in-general ... The point is rather that the possibility [that discretion can lead to superior economic performance] cannot in principle be substantiated empirically. (*ibid.*, 279, Lucas underlines)*

¹⁵ According to De Vroey, Lucas claims that, in practice, "ideology" (a set of political beliefs about how society works or should work) could hardly be separated from science. Macroeconomists (like any citizen) hold ideological views, and then most theoretical propositions in macroeconomics are intertwined with ideology. Thus, policy conclusions derived from theory are not ideology-free; on the contrary, they also embedded with the ideology implicit in the theory premises. For instance, Lucas (1977, 25) argues that *assuming* market clearing logically *implies* that countercyclical policies will be of limited use; therefore, we can conclude that the market clearing assumption is ideologically biased.

¹⁶ Put differently, ideology cannot be separated from macroeconomic theory, but it can be "neutralized" with empiricism—it is only by neutralizing the ideological bias that theories can provide scientific policy prescriptions.

¹⁷ Lucas means "discretion".

Lucas also recognized that, in practice, the development of such model-based quantitative assessment of policy rules was still unsatisfying (Lucas and Sargent, 1978, 62-63). Despite not being able then to determine scientifically what the “optimal” policy rule should be, Lucas still considered that there was enough support for, on the one hand, an immediate abandoning of day-to-day management, and, on the other hand, an implementation of some “good approximation” of the optimal rule. Lucas considered that Friedman’s four percent rule of money growth was for instance a “good approximation” of an optimal rule for monetary policy, and it “would have welfare consequences differing trivially from the optimum policy and ... [it] would be easy to spell out and monitor” (Lucas, 1986, 132-133).

When it comes to specifics of the policy rules to be enforced by an “economic constitution”, Lucas does not differ from Friedman. In the *The New York Times Magazine* (Mermelstein, 1979, 32) and in his academic article for the NBER Baldozini conference (1980b), Lucas supported Friedman’s “A Monetary and Fiscal Framework for Economic Stability” (1948) and *A Program for Monetary Stability* (1959). Lucas’s policy prescriptions correspond to the following rules: 1) 4% annual rate of growth of M1; 2) a-cyclical federal government spending and tax rates 3) balanced federal budget; 4) no government intervention to fix wages and prices.¹⁸ These four measures would “fully protect the economy against sustained inflation” and “entirely eliminate erratic monetary and fiscal shocks as independent sources of instability” (Lucas, 1980b, 207), in order to provide “a stable, predictable environment for the private sector of the economy” (*ibid.* 210).

Despite supporting similar policy prescriptions, Lucas seemed reluctant to be assimilated to any of Friedman’s political stance, or to anyone else’s views—the “Chicago School”, libertarians, Austrians or supporters of laissez-faire. His cautious position vis à vis his colleagues at Chicago illustrates this point:

This place [Chicago] has a pretty wide spread of political opinions, and I’m never going to be anywhere near the far-right end of the spectrum for Chicago. But I’m not too close to the far-left end either. (Lucas in Klamer, 1984, 51)¹⁹

Lucas was also reluctant to be assimilated to a certain vision of U.S. conservatism associated with Reagan’s administration, which he publicly criticized (*cf.* 3.3):

¹⁸ This last point is rather inspired by Lucas’s own opposition to Nixon wage-price control (*cf. infra*).

¹⁹ Lucas also had an ambiguous relation with Hayek and the *Mont Pèlerin Society*. He frequently referred to Hayek’s business cycle theory as inspiration of his own approach; however, that turned out to be a “misreading” (Lucas in Snowden and Vane, 1998, 121). Lucas never had any direct engagement with the *Mont Pèlerin Society*, though he had much contact with at least one of its preeminent member, Karl Brunner (*cf.* 3.2).

It's hard to be a conservative with the Reagan administration turning to fine-tuning, which seems insane to me. So, if being conservative means liking their economics, I guess I'm not. (ibid.)

Why did Lucas distance himself from other actors in the public debate that supported similar policy prescriptions? It is reasonable to think that divergences in political beliefs are at play here;²⁰ but this section listed evidence that support a different explanation. Broadly speaking, Lucas's policy agenda aimed at mitigating business cycles by providing an institutional design (i.e. constitutional policy rules) based on scientific evaluation (i.e. empirically assessed through macroeconometric models). This agenda was indeed unique, and it distanced itself from other approaches to macroeconomic policy at that time. Friedman and other monetarists did not share Lucas's distinctive definition of scientificity (De Vroey, 2011). Besides, Lucas seemed suspicious of the inclination of monetarism to adopt the "cultural and institutional bound" of day-to-day management: he saw the McCracken Report as an example of that (*cf. supra*).²¹ Finally, a last characteristic of Lucas's policy agenda that makes him a distinct figure from Friedman and the others is the absence of a plan to implement his ideas. While Friedman became an adviser and actively pursued the implementation of his agenda (Burgin, 2012), Lucas never aimed at doing so. Retrospectively, Lucas contrasted his own career with Friedman's on this point:

Milton is like Keynes. He goes directly to the public, to the voters, with ideas ... My career hasn't really taken that form (Lucas in Snowdon and Vane, 2005, 292).

3. Lucas's Trajectory through Public Debate (1969-1987)

This section builds a chronological trajectory of Lucas's interaction with the public debate. It provides historical evidence of Lucas's unintended participation in the public debate by uncovering archival sources.

Lucas's activity takes place in the U.S. context of the 1970s and early 1980s, which saw radical changes in economic policy (Nixon's wage-price controls, the Humphrey-Hawkins Act,

²⁰ Lucas's education seems to have been evolving through conflicting political stances. Lucas describes the political background of his family as liberal becoming "politically aware" after the Great depression (Lucas in Snowdon and Vane, 2005, 275): "My parents were admirers of President Roosevelt and the New Deal. Their parents and most of our relatives and neighbours were Republicans, so they were self-conscious in their liberalism and took it as emblematic of their ability to think for themselves" (Lucas, 1996). Then, recalling his graduate studies in economics (at Chicago, 1960-1964), Lucas recognizes the influential role of Friedman's ideas: "for many of us [students], the shock wave of Friedman's libertarian-conservative ideas forced a rethinking of our whole social philosophy." (Lucas, 1996) However, Lucas also qualified his education as an economics graduate as a "Keynesian education" (Lucas, 2004). Indeed, Lucas's education was not driven by Friedman and monetarism (Lucas in Klamer, 1984, 51), but by macroeconometricians such as Carl Christ or Martin Bailey.

²¹ This episode illustrates quite well how misleading is to assimilate Lucas to monetarism on policy. Lindvall (2009) for instance refers to this report as a symbol of the influence of both Friedman and Lucas and Sargent (*ibid.* 709), whilst Lucas (1979) was actually critical of this report.

Volcker's disinflation, the tax revolts, Reagan's first term). Our claim is that Lucas got involved in these debates, but without actively engaging to promote his policy agenda and impose or implement his views. On the contrary, most of Lucas's interactions with the general audiences were "unintended" or "passive": Lucas *was solicited by others* to express or clarify his views about policy issues. This results in an engagement with the public that was cautious, discreet and distinctive—i.e. outside of the usual channels of expertise (such as policy-making institutions).

3.1 Searching for New Theoretical Perspectives: Lucas at Carnegie, 1966-1969

During his first years as an associate professor at the Graduate School of Industrial Administration at Carnegie Institute of Technology (Carnegie hereafter), Lucas worked, with his colleagues, on an empirical research agenda (Lucas, 1967a; 1967b; McGuire et al, 1968). However, by the end of the 1960s, Lucas progressively shifted his research focus. The blooming of new ideas at Carnegie was crucial for developing his distinctive approach to macroeconomics, based on rational expectations and general equilibrium. The influence of senior faculty members (e.g. John Muth and Herbert Simon) is widely acknowledged, both by Lucas himself (Lucas, 1996) and by recent historiographical work (Hoover and Young, 2013; Darity et al., 2004). Young scholars at Carnegie, as Edward Prescott, also had an influential role in shaping Lucas's new approach to macroeconomics (da Silva, 2017).

During these years, Lucas's participation in the public debate or in policymaking expertise was quite limited. In 1969, the Department of Health, Education and Welfare offered him a position in their research department, which is the only written evidence of an offer made to Lucas for a permanent appointment in a policymaking institution. Lucas, however, turned down the offer: "I'm afraid I am not willing to spend time away from my research during the next year or so" (RLP1, Folder 1969).

Lucas's attitude toward the Vietnam War and its surrounding debates also provide an early illustration of his peculiar way to engage with the public debate and political issues. In October 1968, Lucas was solicited to sign and circulate an open letter against the Vietnam War. Some preeminent U.S. economists (Wassily Leontief, William Nordhaus, and Robert Gordon) already signed the document, expressing their concerns about the economic consequences of the war. Lucas answered back stating that neither him nor anyone in Carnegie would be likely to sign such a letter. In his opinion, this was unnecessary: "given the war, the tax increase is the best way of financing it, and the tax increase will make the costs of the war more explicit to the public than would inflationary financing, and hence hasten its end" (*ibid.*, Folder 1968 1/2).

In the same year, Lucas wrote an open letter to Carnegie's President Guyford Stever to express his support to political discussions within faculty.²² Lucas argued that it would be “difficult and dangerous” to draw a clear line between “scholarly and political activity”, and pledged in favor of policy-oriented academic research:

most research [in economics] is quite explicitly directed toward improving public economic policy. ... it would seem to me to be altogether appropriate to advocate these policies [produced by my research] via letters to newspapers, to congressmen, and so forth, in addition to describing my results in academic journal articles. I regard both types of activity as part of my professional life, equally entitled to the support of school services. (ibid., Folder 1968 1/1, Lucas to Stever, 01/02/1968)

However, Lucas did not seem to recur to “letters to newspapers, to congressmen” during this period, although he accepted to support his colleague Leonard Rapping in doing so. Rapping wrote to Congressman William S. Moorhead, a democratic representative for Pittsburgh district: “[myself] and three of my colleagues [at Carnegie] (Professor Martin Geisel, Professor Robert Lucas and Professor Richard Roll) would be willing to serve as unpaid consultants” (RLP1, Rapping to Moorhead, 21/05/1969). Rapping supported Moorhead's motion to cut military spending (CR, Vol. 115, 25/04/1969) and his “attempt ... to take on the Military and its numerous supporters”. Rapping suggested that his role would be to help the congressman overcome his “substantial disadvantage vis-à-vis the Defense Department”, given that the latter disposes of “incredible resources, both in terms of money and manpower” (*ibid.*). This argument about the difficulty for the people and their representatives to control the government adds to the idea previously discussed on “keeping the power of government to injure” (cf. 2.1). Overall, the first period of Lucas's academic career seems dominated by his academic work and the early development of his new approach to macroeconomics. However, Lucas did not overlook political and policy issues, as one can see from his discrete engagement with the public debate.

3.2 The Years of “High Theory”: Lucas at Carnegie, 1969-1973

Between 1969 and 1973, Lucas published the path-breaking articles that became his most famous contributions to macroeconomics. His work during this period has been driven by requests or funding originating from policy-making institutions or policy-oriented solicitations. The period between June 1969 and the end of 1971 was crucial. Lucas spent the summer at the NBER (1970) and was granted with a fellowship from the Brookings Institution (1970-1971; RLP1, Folder 1969, Folder 1970 1/2). In June 1969, Lucas was requested by the Federal Reserve Board to write a paper about the “econometric testing of the natural rate hypothesis”,

²² Following the circulation at Carnegie of different materials against the Vietnam War, President Stever had blamed, in a letter to faculty (11/01/1968), the use of university's resources (“mails, mimeographic service”) to express “personal thinking on controversial public issues”.

to be presented by November 1970 at a Fed conference about “The Econometrics of Price Determination” (*ibid.*). This commissioned paper became “Econometric Testing of the Natural Rate Hypothesis” (Lucas, 1972a), further published in the proceedings of the conference (Eckstein, 1972). In the same period, Lucas completed his “Expectations and the Neutrality of Money” (1972b).

Lucas also elaborated an article to the new series of macroeconomics conferences, the “Carnegie-Rochester Series on Public Policy”, organized by Karl Brunner and Allan Meltzer. For the first meeting, Lucas had accepted on December 1972 to write a “literature review on the studies on the Phillips curve” (RLP1, Folder 1972): this paper became “Econometric Policy Evaluation: A Critique” (1976 [1973]).

Earlier in 1972, Brunner wrote to Lucas a letter on a related matter (RLP1, Folder 1972, Brunner to Lucas, 14/01/1972). Brunner asked him to join a group with other 30 U.S. economists to cooperate in order to gain influence on the public debate on economic policies.²³ In his two-page letter to Lucas, Brunner argues how media coverage in the U.S. was biased (“one-sided reports”) toward the “dominant vision” supporting “much and better regulation” (*ibid.*). According to Brunner:

It is time that economists with professional record and some reservation about the general propensity to find “solutions” in more controls,²⁴ or larger budgets, assert themselves more effectively in public policy discussion. (ibid.)

With Brunner’s office serving as a “clearing house”, the group could easily “distribute the cost of attending repetitively and somewhat systematically to important issues” and provide “an established organization to prepare and launch statements” (*ibid.*). Lucas’s answer was enthusiastic: “Yes, I would like very much to be a part of the group you describe ... I would like to help in any way I can” (*ibid.*, Lucas to Brunner, 19/01/1972). However, such a network group was never implemented: instead, Brunner initiated, in 1973, the “shadow open market committee” (SOMC), to which Lucas did not take part (Meltzer, 2000).

3.3 The “New Guru” from Chicago (1973-1986)

The publishing of “Econometric Policy Evaluation” (as a working paper, in Fall 1973) symbolizes a turn in Lucas’s career and a new phase of his engagement with the public. In 1974, Lucas decided to move back to the University of Chicago economics department with a full professorship, where he spent the rest of his professional career, also serving as vice-chairman (1975-1983) and then chairman (1986-1988).

²³ Brunner presented the idea as “originating from discussion with several friends last summer in Europe”, an almost certain reference to a meeting of the *Mont Pèlerin Society*.

²⁴ A reference to Nixon’s wage-price controls policy (August 1971).

From the beginning of 1974, Lucas received many letters asking for a copy of the Critique. William Poole²⁵ reported to Lucas: “my copy of [your paper] is wearing out from people reading it, unstapling it, Xeroxing it, and restapling it” (RLP1, Poole to Lucas, 01/11/1975). Lucas’s paper was disseminated to a larger and larger audience after its publication in the *Carnegie-Rochester Series on Public Policy* (1976). Media coverage on Lucas (and, more broadly, on the “rational expectations” macroeconomists) gained momentum: between 1975 and 1981, articles about Lucas appeared in *Newsweek*, *The Wall Street Journal*, *Fortune*, *Business Week*, *The New York Times Magazine*, and, in Europe, *The Economist* and *Der Spiegel*.²⁶ Probably in response to this coverage, the University of Chicago (through its Office of Public Information) released a press résumé about Lucas, emphasizing the policy implication of his work:

[the theory of rational expectations adds] some potent fuel to the argument long associated with Milton Friedman²⁷ that government attempts to regulate economic activity are not beneficial. [...] government economic policies are a waste of time and effort. (RLP1, Folder 1977 2/2)

The same year, Republican representative John Rousselot used the Lucas Critique as a backbone argument for criticizing the federal budget before the Congress:

Mr Speaker, the following [statement] provides a concise and effective critique on the reliability and worth of econometric models. In that, the figures we are debating today and tomorrow are based on the calculations and results of these Keynesian models. I think it is helpful to understand the faulty assumptions on which they are based. (CR, vol. 130, 22/02/1977)

The statement introduced by Rousselot was actually written by Paul Craig Roberts, a Republican economic advisor.²⁸ Afterwards, Roberts corresponded with Lucas, soliciting his advice on the matter:

²⁵ At the time of the letter, Poole recently quitted the Fed Board (after ten years serving as senior economist) and joined Brown University. He was still involved in policy expertise, especially as a senior member of the Brookings Panel on Economic Activity. He joined the SOMC in 1985 after having been a member of the Council of Economic Advisers under Reagan.

²⁶ For instance, *Business Week* (8/11/1976, 74-75)’s headline was: “How Expectations Defeated Economic Policy”. The article presented Lucas and Sargent as “ivory-towered economists” providing “solid theoretical base” to Friedman’s policy assertions and going “even beyond”: “no systematic policy can be devised that is affecting anything other than the inflation rate”. *Der Spiegel* (29/11/1976) gave a similar interpretation: “for Lucas, the best stabilization policy ... is to do nothing”.

²⁷ However, the text clarifies later that Lucas “disagree[s] with Friedman” on altering the money supply to stabilize the economy (*ibid.*).

²⁸ Professor at George Mason (alongside with his former PhD supervisor Buchanan; MacLean, 2017, 181-82) Roberts also contributed to the redaction of the Kemp-Roth bill (*cf. infra*) and to Reagan’s campaign and administration (Crouse, 2018, 217).

I have seen your critique of econometric policy evaluation. The subject has now been officially raised in the U.S. Congress [by Rousselot], and I believe your comments on the enclosed exchange [CR mimeo] might be a positive contribution to public economic policy. (RLP1, Roberts to Lucas, 21/03/1977)

The discussion initiated by Rousselot went on during the session of the Joint Economic Committee of the House (CR, vol. 130, 24/06/1977). The *Wall Street Journal* (18/04/1977, 29/06/1977) covered both debates, further amplifying the echo of Lucas's idea in the public debate.

The media success of the Lucas Critique made it particularly appealing to people *outside* academia, including researchers in private corporations (Monsanto, Merrill Lynch) and policy-making institutions. Dozens of letters to Lucas asked for a copy or send him enthusiastic appreciation (RLP1, Folder 1978 1/4 to Folder 1978 4/4).²⁹ By the end of the 1970s, Lucas enjoyed then a well-established reputation and fame going beyond the academic circles, a reputation that will stand during the 1980s. For instance, when invited to give a conference at Ohio State University in 1983, the organizer wrote to Lucas: “[attending your lecture], in addition to faculty and graduate students, there will be numerous undergraduates and curious people from the business community who wants the views of the “new guru” from Chicago” (RLP13, Folder “Lectures Notes 1979-1980”, William Dewald to Lucas).³⁰

During this period, Lucas also wrote two academic articles (1977; 1980a) that clarified and systematized his views. Additionally, he edited two books of collected writings, one on his own (1981a) and another co-edited with Sargent (1981). Perhaps the most representative piece of this period is another article with Sargent, “After Keynesian Economics”. Presented at a Boston Fed conference in 1978,³¹ the paper was a “frankly rhetorical piece” as the authors themselves described it (RLP, Box 19, Folder “After Keynesian Macroeconomics 1978-1979”, Lucas to Sargent, 09/02/1978).

Besides this academic-oriented effort to disseminate his work, Lucas engaged with the public to precise and comment on his views, which shows that Lucas's academic production was in line with his increasing engagement with public. He continued to correspond with politicians, such as, for instance, congressman Phillip Crane.³² In these letters, Lucas clarifies to Crane

²⁹ The public also consulted Lucas about other topics. For instance, Stephen Neal (a Democratic representative) consulted Lucas about the idea of publishing minutes from the Federal Open Market Committee. Lucas praised this suggestion, that will enhance transparency and predictability (RLP1, Folder 1976 2/2).

³⁰ Also, this reputation travelled outside the U.S. Lucas received also a significant number of letters from German and Japanese economists, and *Models of Business Cycles* (1987) was immediately published in a Japanese edition (RLP13, Folder “Models of Business Cycles”).

³¹ On this episode, see Goutsmedt (2017a).

³² Crane was a preeminent GOP representative and chairman (1977-1979) of a powerful conservative lobby, the American Conservative Union. He later ran for the nomination for president in 1980, against Reagan.

some of his views on economic policy that the Congressman held from a recent article on Lucas published by *Newsweek*:

My work has not focused on particular policy issues ... Much of it has been devoted to explaining why our econometric models cannot be used to “fine tune” the economy. (RLP1, Folder 1978 4/4)

During this new phase of his interaction with the public, Lucas seemed more inclined to speak in the media about policy issues.³³ He also publicly criticized the Reagan administration. In two opinion columns published in *The New York Times* (26/08/1981, 28/08/1981), Lucas discusses the lack of long-term consistency of Kemp-Roth tax-cut act, arguing that it was “discouraging”, as it would lead to higher deficits. To make his case, Lucas drew a rhetorically strong parallel between his stance and Alexander Hamilton’s “Reports on the Public Credit” (1790-1795), presented before Congress as Secretary of the Treasury. By paying a tribute to Hamilton and his foresighted management of the public debt, Lucas attacked Reagan’s administration for following the opposite path. For Lucas, Hamilton’s central argument “was the recognition that a policy-decision taken today is, like it or not, an announcement of general principle by which analogous situations are to be treated in the future.” (1981b) Conversely, Reagan’s administration implemented inconsistent decisions with regards to the objective of attaining an equilibrated budget: on the one hand, tax-cuts; on the other, a monetary policy promising price stability. This makes both decisions not credible, as their objectives are “obviously inconsistent” (*ibid.*). Rational expectations underlie Lucas’s opposition against Reagan’s policy: if public deficit increases drastically, households and firms will fear debt financing by money creation, what would counter the monetary policy ran by Paul Volcker since October 1979.

More generally, through his participation to the public debate, Lucas seemed to hold the laymen in high esteem. Most of his policy agenda relied on the “virtues” of the common people, namely their capacities to pursue their own interest in a consistent and forward-looking way—in other words, their economic rationality. This underpinned Lucas’s faith in the self-regulating abilities of market economies, and the negative view of government discretionary intervention on macroeconomic issues. This also seems to suggest that Lucas disregarded “enlightenment” of the public from professional economists. An illustration of his opinion was his discussion (1980b, 204) of the “California’s Proposition 13” (1978). This “tax revolt” sought to limit property taxes by 57% (Lowenstein, 2010): for Lucas, this reinforces the role of the public in

³³ Lucas was for instance interviewed on BBC2 program “The British Economy” (RLP, Box 5, Folder 1982 2/2). However, Lucas felt sometimes that media coverage was not faithful to his ideas. In a letter to a journalist of *The New York Times Magazine* (RLP13, Folder “Directions of macroeconomics”, Lucas to Mermelstein, undated 1979), Lucas complained harshly about his views being “paraphrased by journalists with different background and objectives than mine”. We can also add to this list the interview with Klammer (1984), even though this was intended for an academic audience.

dismissing Keynesian day-to-day management and triggering the implementation of “policies generated by fixed, well understood, relatively permanent rules” (Lucas, 1980b, 205). California’s Proposition 13 was indeed perfectly in line with Lucas’s policy agenda: a long-term and publicly open commitment to economic goals, and a proper rule of law, which would help to establish the boundaries and applicability of a tax system.

Concluding Remarks

This article has unveiled Lucas’s policy agenda and how Lucas did *not* actively promote it to make his ideas gain popularity and practical influence. We suggested that Lucas held an original thinking in the policy-debate landscape of the time, and also a peculiar course of action as an economist in the public debate.

Indeed, it is possible that Lucas’s unique form of engagement with the public debate could have resulted from personal reasons. Following Lucas’s own explanation, we could consider that this was a personal choice related to individual characteristics: “I don’t think I personally have any particular talent or liking for [advice-giving]” (Lucas in Snowdon and Vane, 291). A second, alternative explanation, again following Lucas, is to see this as an implicit “division of labour” with some of his colleagues: “I am glad that other people do [took the role of advice-giving]” (*ibid.*). As also emphasized by De Vroey (2015, chap. 17), Prescott, Kydland and the real business cycle theorists produced, during the 1980s, a stronger political stance than Lucas; the same could be said about Sargent or Wallace (Goutsmedt, 2017b). Besides, these macroeconomists were economic advisers in a more conventional sense, as they were affiliated with the Minneapolis Fed and therefore actively involved in policy-making.

This article demonstrated, however, that reconstructing Lucas’s practical history through his archives has pointed out to a different conclusion: a deeper historical understanding of the influence of Lucas’s personal work on the public sphere should focus on other external characters, rather than on Lucas himself.

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