Summary of James Forder's work on the history of the Phillips curve

I started to wonder about the history of the Phillips curve while writing Forder (2006), although there I only hinted at doubts about what Friedman said in his Nobel Lecture of 1976 (i.e. Friedman (1977)). He presented a story of the progress of economics intended to show that economics deserved to be regarded as a science. The progress he thought he could see involved the discovery of the Phillips curve; its acceptance as offering a policy tradeoff (so that high rates of inflation would durably lower unemployment, and policymakers could "exploit the tradeoff" as later authors sometimes say); and his own – in Friedman (1968) – and Phelps' rebuttal of this, based on the idea that on-going inflation would affect expectations so as to shift the tradeoff relation and give what came to be called a 'vertical long run Phillips curve'. In Forder (2010a) I considered, and dismissed, the key components of Friedman's historical story – the "Phillips curve myth" as I called it. And in Forder (2010b) I considered more extensively the question of the origins of the "expectations argument". It turned out to have been well known long before Friedman and Phelps stated it.

There is quite a lot more to be said about Friedman (1968) because there are lots of signs that its influence has been greatly exaggerated. But the demonstration that the expectations argument was well known in the 1960s (and before) is important for two reasons. One is that my argument that pretty well no one believed they could "exploit the Phillips curve tradeoff" involves "proving a negative". But showing that the expectations argument was widely understood does not – it is a straightforward matter of identifying its appearance in the literature. That establishes the mythic status of one component of the story. Second, once that is accepted, it becomes much harder to believe that anyone did think they could exploit the Phillips curve – the whole case that the existence of such a tradeoff was seen as a reasonable idea depends on the claim that the expectations argument was not appreciated. But it was appreciated – pretty well universally.

The idea that economists had persuaded themselves of the possibility of exploiting the Phillips curve tradeoff is often joined by more forceful claims that policymakers of the 1960s actually tried to lower unemployment by inflationist policy. The origin of that plan was often traced to a paper by Samuelson and Solow from 1960. In a working paper which became Chapter 2 of Forder (2014a) I considered that paper, noting that it did not advocate inflationist policy. That had sometimes been noted before, but the conclusion typically drawn was that Samuelson and Solow had been "misread" by those who followed. I considered nearly 200 works from the 1960s that cited Samuelson and Solow. *None* read them as advocating inflationist policy, *and* approved of that idea. The story that they had this influence is therefore another part of the myth. The working paper itself, however, was misread and led me to comment further in Forder (2015a).

Forder (2014a) brings together and develops all these lines of thinking on the history of the Phillips curve, as well as offering an much fuller account of the actual content of economic theory and debates of the 1960s and 1970s on the questions of inflation, unemployment, and their relationship. I considered the work of Phillips and its significance in relation to contemporary theory. I considered the econometric "Phillips curve literature" of the 1960s and 1970s in some detail. Even with highly selective quotation, it would be hard to find much substance for the myth. But when – as I tried to – one looks to the question of what objectives the authors were pursuing, the picture becomes much clearer. Questions along the lines of "which is the best available tradeoff point?" were simply not what the literature was about. There were far more interesting questions than that at stake. Then I considered the corresponding econometric work from the 1970s – it is in important respects very different from that of the 1960s, but not in the way the myth says it should be – it is a not primarily or largely about assessing the Friedman/Phelps argument. And I considered the wider theory of inflation and unemployment, and its relation to actual policy making. All this offers a reinterpretation of the history and development of economic analysis in the period of the demise of the "Keynesian consensus".

And, of course, I considered how it was that the Phillips curve myth ever emerged. That is an interesting story in itself and Friedman's Nobel lecture is not quite its origin, although it is certainly the best known of the early statements. An appreciation of how a complete mis-telling of this aspect of the history of economics came about arises only from an appreciation of how the whole literature developed over the 1960s and 1970s so that such confusion could become possible. I sought to draw some wider conclusions on the question of the scientific progress of economics from this analysis, particularly noting that at least in the Phillips curve literature, debate more often petered out than was actually resolved by compelling theory or evidence. There are numerous ideas in the literature which have been forgotten rather than refuted.

My conclusion that Friedman's story was a myth raised various other questions which did not fit neatly into Forder (2014a). In Forder (2011) I considered the views on inflation and unemployment of J. K Gifford – a minor character who happened to attract retrospective attention just before I wrote. In Forder (2013) I considered and tried to elucidate the theory of wage bargaining in the early post-War period. Usually treated as being naïve, or perhaps as treating the wage bargainers as "irrational" it is in fact a much more psychologically and socially-aware body of theory than tends to be found in later economics. Drawing on this, Backhouse and Forder (2013) reassessed the bases of advocacy of incomes policy in the United Kingdom, finding them much more reasonable – at their time – than has later been suggested.

One of the readers of a pre-publication version of Forder (2010a) had commented that the argument was incomplete because I did address the question of what textbooks said about the Phillips curve. He suggested that if I looked there, it might be that I would find the advocates of "exploiting" it. Not so, as it turned out, and not so in a very interesting way. In Forder (2015b) I considered what multi-edition textbooks say about the history of the Phillips curve. One thing that stands out is that (in my sample, at least), the story about "exploiting" the curve is invisible before 1978, but thereafter, it appears very suddenly not in all of the books, but in a good number of them. Some of these had their first edition in 1978 or very shortly after. But in other cases, the later editions confidently report that in the 1960s, the curve had been widely viewed as an exploitable relation despite the fact that in the earlier editions of the same author's book, such an interpretation is absent. But for the fact that we have libraries that keep everything, and some second hand dealers with cheap enough storage not to worry about weeding their stock, we could have had a perfect Orwellian rewriting of history. And again, of course, the suddenness of the change in what the books say after Friedman (1977) is striking. I suppose the story of the "progress" of economics was an attractive one for selling books, even if the facts had to be thrown away to tell it.

Again concerning Forder (2010a), one correspondent privately said to me that I would tell a different story about the interpretation of the Phillips curve if I paid attention to the work of Harry Johnson – a prolific and widely-read and praised economist of the 1960s, who wrote quite a lot about the Phillips curve and, I was assured, presented it as a stable tradeoff relation. So, in Forder (2017) I considered Johnson's comments on the curve in detail. I showed his accounts of it were brief, inconsistent, and flawed. That shows he was no true authority on it, but the fact that these limitations of his comments on that topic did nothing to damage his wider reputation during his lifetime is a further indication that when he was writing, the Phillips curve was not something of much interest – his errors would have been noticed if it had been. Johnson also featured in David Laidler's review of *Macroeconomics and the Phillips curve myth*, and I made further comment in responding, in Forder (2018).

Forder (2021) is the published version of an invited lecture at the Singapore Economic Review conference and concerns the various meanings that have become attached to the label "Phillips curve". So many different ideas are described with those words that it is a source of historical muddle itself. Considering for example, various theoretical arguments that have been put in terms of "a Phillips curve", one is led to think of the label meaning whatever it is that in that model is so labelled. Along with variation on whether it is a relationship between unemployment and wage change or price change, and other factors, a large number of different things have been labelled in the same way. One consequence is that if one looks, one can find something which would seem to substantiate a very large number of historical claims about what economists did with "the Phillips curve" in the past. Mixed with a desire to indulge in a little Keynes-bashing, naturally all sorts of historical nonsense can arise.

In Forder (2014b) I also wrote a collection of little notes for the World Economics Association 'themes' page. I took up other small points in Forder (2016) and Forder (2019a). And in Forder (2019b) I wrote some more about myth that have been created around A W H Phillips himself. He was, of course, entirely innocent of propagating any daft stories about the curve since he died in 1975, and the idea that he was himself an inflationist has been recognized as incorrect. Sadly, other pieces of fiction, usually seeming to make him superhuman have been widely read and are another taint on academic economics (though with a much narrower base).

James Forder
Balliol College
April 2023

References

Backhouse, R. E. and J. Forder (2013) 'Rationalizing incomes Policy in Britain, 1948-1979'. *History of Economic Thought and Policy* (1) pp. 17-35.

Forder, J. (2006) 'Monetary policy' in *A handbook of alternative monetary economics* eds. P. Arestis and M. C. Sawyer. Cheltenham: Edward Elgar. pp. 224-241.

Forder, J. (2010a) 'Friedman's Nobel Lecture and the Phillips Curve Myth'. *Journal of the History of Economic Thought* 32(3) pp. 329-348.

Forder, J. (2010b) ‘The historical place of the ‘Friedman-Phelps’ expectations critique’. *European Journal of the History of Economic Thought* 17(3) pp. 493-511.
Forder, J. (2011) ‘One more word on J. K. Gifford’. *History of Economics Review* 54(Summer) pp. 151-154.
Forder, J. (2013) ‘Macroeconomics and the L-shaped aggregate supply curve’ in *Oxford Handbook of Post-Keynesian Economics* eds. G. C. Harcourt and P. Kriesler. Oxford: OUP. pp. 245-264.
Forder, J. (2014a) *Macroeconomics and the Phillips curve myth.* Oxford: OUP.
Forder, J. (2014b) “Phillips curve” theme. http://www.worldeconomicsassociation.org/themes/phillips-curve/
Forder, J. (2015a) ‘Comment on Huang, ‘Phillips curve, the misread and mislead in economics’’. *Journal of Chinese economics* 2(3) p. 61.
Forder, J. (2015b) ‘Textbooks on the Phillips curve’. *History of Political Economy* 47(2) p. *forthcoming*.
Forder, J. (2016) ‘Hall and Hart on Samuelson and Solow: Some comments’. *History of Economics Review* 63 pp. 56-61.
Forder, J. (2017) ‘Harry Johnson on the Phillips curve’. *Journal of the History of Economic Thought* 39(4) pp. 503-522.
Forder, J. (2018) A response to David Laidler's review of *Macroeconomics and the Phillips curve myth*. https://tinyurl.com/JF18respDEWL
Forder, J. (2019a) ‘A note on the Phillips curve in South African and other text books’. *Southern African Business Review* 23
Forder, J. (2019b) ‘A W H Phillips’ in *The Palgrave Companion to LSE Economics* ed., R. A. Cord. Basingstoke: Palgrave Macmillan. pp. 579-613.
Forder, J. (2021) ‘Nine historical views of the Phillips curve: Eight authentic and one inauthentic’. *Singapore Economic Review* 66(5) pp. 1125-1140.
Friedman, M. (1968) ‘The role of monetary policy’. *American Economic Review* LVIII(1) pp. 1-17.
Friedman, M. (1977) ‘Nobel Lecture: Inflation and unemployment’. *Journal of Political Economy* 85 pp. 451-472.