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Erwin Dekker, *Jan Tinbergen (1903-1994) and the Rise of Economic Expertise*

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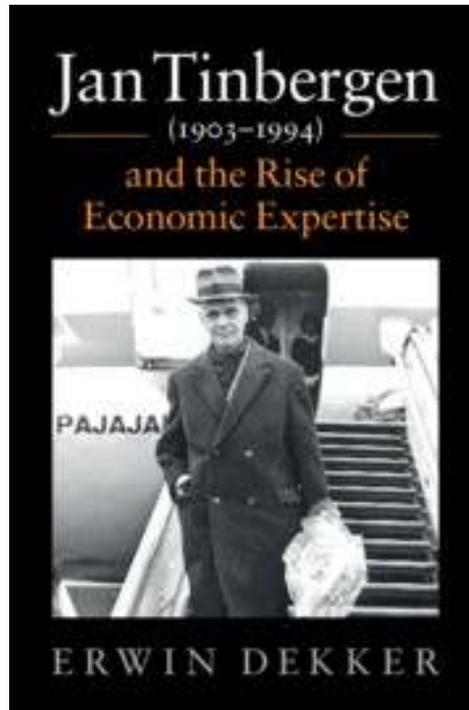
Erwin Dekker, *Jan Tinbergen* (1903-1994) and the Rise of Economic *Expertise*

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Erwin Dekker, *Jan Tinbergen (1903-1994) and the Rise of Economic Expertise*, Cambridge: Cambridge University Press, 2021, xxi + 463 pages, 978-110885654-6.

1 Jan Tinbergen was undoubtedly one of the most influential economists of the 20th century. Tinbergen was founder of macroeconomic modelling and the first Nobel laureate in economics in 1969, along with Ragnar Frisch, for his pioneering work in econometrics. As such, Tinbergen had a huge influence on the development of the practice of economists after World War II. No biography on Tinbergen's life and works existed in the English-speaking world (a few small biographical works are available in Dutch). English-speaking researchers had to rely on Boumans (1992) or Jolink (2003) for biographical details on Tinbergen. But a comprehensive biography on Tinbergen was not yet available. Erwin Dekker has now added such a biography on Tinbergen.



- 2 For his research, Dekker used the *Jan Tinbergen Collection* archive of Erasmus University Rotterdam, which includes Tinbergen's correspondence and recently was made publicly accessible for researchers (at <https://www.eur.nl/en/library/collections/jan-tinbergen-collection>). In addition, Dekker has drawn on interviews with family members, former colleagues, associates and students of Tinbergen. This resulted in a voluminous and smoothly written 463-page biography that was awarded the History of Economics Society's Joseph J. Spengler Best Book Prize in 2022.
- 3 Dekker's goal was to write an intellectual biography focusing on the development of Tinbergen's ideas. In doing so, Dekker was probably hindered by the fact that Tinbergen's thinking showed little development during his lifetime. From an early age, Tinbergen was a principled, socially committed man with a somewhat naive-looking belief in harmony and peace, and in fact always remained so. However, the central theme of Dekker's biography is the rise of economic expertise and Dekker shows that in Tinbergen's role as an economic expert three distinct phases can be distinguished, which were mainly determined by the social position Tinbergen occupied.
- 4 In the first phase, from his youth until the outbreak of World War II, Tinbergen was an 'outsider', pushing for reform of the capitalist order through mathematics and rational means. During this period, Tinbergen developed his contributions to econometrics and business cycle research. Born in The Hague to a principled and intellectual teacher's family, Tinbergen felt drawn to socialism, and was active in a cultural socialist youth movement that sought to form a moral vanguard of socialism by leading by example. While studying physics in Leiden, his supervisor, physicist Paul Ehrenfest, proved to be a great inspiration for Tinbergen. Ehrenfest, who enjoyed local fame as 'the red professor' despite being a non-socialist, constantly encouraged Tinbergen to think further and encouraged Tinbergen in his interest in economics. After his PhD in 1929, Tinbergen joined the business cycle research department of the Dutch statistical office.

There he sat atop the best available data on the Dutch economy that allowed him to statistically investigate business cycles. Initially, Tinbergen tried to use this data to model the economic dynamics of individual markets where he was particularly interested in lags in adjustments of supply and demand. These adjustment lags reinforced Tinbergen's view that in capitalism, markets do not have a stable equilibrium but are subject to economic fluctuations due to their own inherent dynamics and must therefore be 'ordered'. In 1932/33, Tinbergen's research moved to a macro approach of the economy, and he started to consider the entire national economy as a large mechanism, whose dynamic character is again determined by lags in adjustments of economic variables. It led to the first, pioneering macroeconomic model of the Dutch economy, which Tinbergen presented to the Royal Society of Dutch Economists in 1936. Tinbergen used the model to calculate policy proposals from his social democratic party's *Plan of Labour*. However, because Tinbergen's social democratic party was systematically excluded from government participation, Tinbergen's economic expertise had no effect on Dutch government policy. Tinbergen's anti-cyclical policy recommendations to combat the Great Depression were ignored and Tinbergen effectively remained an 'outsider'.

- 5 This phase in Tinbergen's life and work ended with the German occupation of the Netherlands in 1940. Tinbergen became isolated from many international contacts, and it led to some theoretical reflections on the idea of stable and/or multiple equilibria relevant to business cycle politics.
- 6 After the war, a second phase in Tinbergen's expert life begun when he became director of the Central Planning Bureau (CPB), the agency set up in 1945 to plan reconstruction in the Netherlands. As its first director, Tinbergen had a lot of scope to shape the functioning of this office himself. During this period, which lasts until his retirement as director of the CPB in 1954, Tinbergen became undeniably the most influential policy economist in the Netherlands. Through the Central Planning Bureau and the numerous civil service consultative committees he served on, he had direct access to the political and administrative elite of the Netherlands. The outsider became an influential state advisor who co-determined how the Dutch economy should be organised.
- 7 Due to the urgent practical problems of reconstruction, such as dollar and capital shortages, the Planning Bureau did not initially get around to Tinbergian macroeconomic modelling. During this period, Tinbergen himself reflected on how economic models could be used to formulate economic policy. To this end, he introduced decision models with which economic experts can steer the economy, and he formalized his ideas on economic policymaking in his theory of economic policy (Tinbergen, 1952; 1956) that links economic goals with instruments. Armed with these tools, Tinbergen managed to put issues like equitable income distribution on the agenda but in this second phase his influence as expert went much further. Officials and administrators increasingly adopted his idiom and formulated policy documents in terms of goals and instrument. Politics started speaking his language.
- 8 In the third phase of his life, after his retirement from CPB in 1954, Tinbergen became a travelling consultant, trying to export his ideas on development planning and modelling to other, less developed countries (LDCs). In this capacity, Tinbergen was a guest at numerous LDCs, such as India, Indonesia and Turkey. He assisted, for instance, in setting up a planning agency in Turkey analogous to his CPB. Tinbergen, at this stage

of his life, had to rely mainly on his stature to convey his technocratic message on modelling and the art of economic policymaking by experts, as he mostly held no formal position. In many cases, therefore, he became a plaything of domestic political interests, making it less effective for him to communicate his ideas on the use of technocratic policy expertise. During this period, Tinbergen mainly published work on development planning, optimal social order and world economic policy.

- 9 Dekker's book has some strong points and a few chapters stood out for me. Chapter 6, macro-dynamics and the problem of unemployment, clearly shows the struggle that early econometricians, such as Tinbergen and Frisch, had to get a grip on economic dynamics. That the economy exhibits dynamics was clear but which variables were associated with it was diffuse and confusing. Economic theory had no answer to this. The chapter shows well how precisely in that specific context Tinbergen's engineering approach could be productive. Tinbergen focused not on theory but on the application of 'tools', which made economic research more objective and forced researchers to quantification and measurement of the economy.
- 10 The chapter on Tinbergen's work at the League of Nations, chapter 8, is also extremely fascinating. Although this history is not unfamiliar, this chapter, based on correspondence from Tinbergen and others, shows the struggle of economists with Tinbergen's mathematical method. In 1936, Tinbergen was asked by Gottfried Haberler to join the League of Nations in testing business cycle theories. Many contemporaneous business cycle theories were incomplete or formulated literary or non-operational. Instead of testing individual business cycle theories, Tinbergen built a macro model of the United States of America and the United Kingdom. However, several economists advising on the project (mostly from Oxford), such as Dennis Robertson, Alexander Loveday, John Hicks, James Meade, and others, took issue with Tinbergen's mathematical approach. They could not follow his mathematical formulation and therefore did not trust Tinbergen's work. They considered Tinbergen an 'alchemist' (Keynes' terminology). In the end, Haberler's committee had to rely on the judgment of Ragnar Frisch, the most mathematically literate economist of the time, that Tinbergen's model was indeed mathematically correct.
- 11 It is a constant recurring theme and *leitmotif* in Dekker's book: the resistance to, and limits of, economic expertise. Economic experts may be able to make better decisions, but their expertise is inaccessible, difficult to verify and suffers from lack of legitimacy. This criticism started as early as the presentation of Tinbergen's first model in 1936 in the Netherlands, when mathematically savvy engineer Jan Goudriaan called Tinbergen's simultaneous equation model a 'night train' whose destination is not clear. Haberler's economists had the same criticism.
- 12 These limits of Tinbergen's economic expertise are also evident in the chapter on development planning in Turkey (chapter 14). In 1960, Tinbergen was asked to help with Turkey's economic development. In the years that followed, Tinbergen, and a few associates, then help set up a planning office in Turkey; a smaller version of the Dutch CPB in which economic experts were to set the policy lines. But it soon turned out that this was not so easy. The military, which had taken over power in Turkey and initially was a strong supporter of economic planning, wanted to influence Turkey's economic development. Instead of a Central Planning Bureau with independent experts, the army proposed a State Planning Office, half of which was to consist of ministers and was led by the prime minister. Gradually, the independent planning agency turned into a

- 'regular' ministry in which the primacy of economic policy was up to politicians and not technocratic experts.
- 13 The example also shows another flaw of advisory experts and the first generation of development economists. The recipes prescribed by them were far too general in nature and ignored the specific political, cultural and institutional set-up of LDCs. In fact, Tinbergen continually drew on his experiences from the Netherlands and Dutch political relations, which he considered easily transferable to other countries. Actually, the whole world had to become a kind of Dutch 'polder economy' (consensus economy) with a corporatist, consultative structure in which economic experts set out the margins for policy making.
 - 14 What is interesting is Tinbergen's reaction to the criticism of technocratic expertise. Time after time when political forces opposed the concentration of technocratic expertise, Tinbergen came up with proposals that concentrate even more political power in the hands of experts. This makes it clear that Tinbergen himself did not actually have a good answer to the fundamental critique of technocratic expertise.
 - 15 A good book review should also mention a few lesser points about a book. I would like to mention two here. The first is that the more technical analysis of Tinbergen's econometric work does not go particularly deep. This is an understandable choice to make the book interesting for a broad front of historians, but a single chapter suffers. The chapter on Tinbergen's theory of economic policy making, for example (chapter 10), explains the difference between Tinbergen's structural models and decision models. But because no concrete examples of these models are given, the distinction becomes little clear. Dekker states these differences but does not show it. The old Hollywood adage "show, don't tell" applies here too. In short, historians of econometrics would probably have liked to see a bit more in-depth analysis here.
 - 16 My second point concerns Tinbergen's 'synthetic thinking'. On page 411, Dekker states that the marriage of ideals and rational means (mathematics and statistics) was "the ultimate core of his thinking: harmony was not natural and had to be consciously pursued through rational organisation". Indeed, this seems to me to be the essence of Tinbergen's thinking. Already in his dissertation, Tinbergen tried to unite his socialist ideals with mathematical techniques. But Tinbergen was not unique in 'synthetic thinking' (Baneke, 2011). In the interwar period, there was a significant movement of European intellectuals who sought for synthesis. The search for synthesis stemmed from the amorality of positivist science and was more ambitious than using rational means for 'ordering' (Albertse, 1994). Shocked by the horrors of World War I, to which scientists and technicians had contributed, European intellectuals sought not an objective science but a moral science. Science itself had to become moral. Science had to indicate not only the means by which a better (more efficient and just) society could be achieved but also exactly what those ends were. Tinbergen was part of this movement for synthesis and this element is somewhat underplayed in the book. For example, it becomes not clear what role Tinbergen played in the synthesis movement of the interwar period. Moreover, Tinbergen's synthetic thinking only comes up in the very last chapters, as a kind of afterthought, even though, as Dekker himself says, it was the core of his thinking.
 - 17 This criticism, however, concerns minor details. All in all, Dekker's book is a well-researched, well-written and smoothly readable biography that rightly won the Spengler Prize.

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