

Julian Simon as Economist

It is a pleasure and an honor for me to participate in this memorial symposium in honor of Julian Simon. I owe a great deal to Julian. Not only a friend, he was an inspiration to me intellectually, stimulating me to think about historical issues in novel ways. He was also a compelling force professionally, encouraging me to research ever more data on an ever broader scale. Only once were we co-authors, a piece calculating the possible reparations bill to American blacks for their ancestors' years of slavery in this country. But Julian was interested in, and made valuable comments on, every project I undertook.

How to characterize Julian as an economist? Obviously he was a University of Chicago-trained economist, so he always tried to think how a market would operate on the issue at hand, whether it was setting up a mail-order operation or solving the world's population problems. Friedrich von Hayek, the Nobel Laureate in Economics, and the guiding philosopher of the so-called Austrian school of economics, told me at a conference in Germany honoring Julian that he regarded Julian as his intellectual son. And so he was, but with an important difference. Hayek is world-renowned for his popular book, *The Road to Serfdom*, which gives a pessimistic, even cynical, view of the dangers that lurk for political democracies, when voters yield to the blandishments of populist demagogues. Julian, in his classic work, *The Ultimate Resource*, by contrast, expressed an optimistic vision of the benefits attainable by humans if they allow themselves, and are allowed by their fellows, to constantly try out new ideas of how to do things better. Pessimists observing the miserable conditions of so many people in so many places around the world, of course, thought much of his vision was silly.

Some even thought he was irresponsible, because an optimistic vision of humanity might encourage leaders to let the problems of poverty continue and worsen. Knowing Julian as I did, as a kind and very humane man, and understanding his idealistic motivations, I was always puzzled why his ideas managed to elicit immediate disbelief, or even hostility. After all, at heart they were mostly ideas familiar to all economists — expanding production possibilities depends on technology, which depends on ideas being tried out, which depend on people developing them. The challenge was to channel people's ideas into socially productive pursuits, rather than into killing off each other.

On one of his last visits to this campus, however, I started to understand why people might find Julian's ideas irritating, because I found myself getting irritated with him. All I wanted to do was to get him across campus from my office to the Levis Center where he was scheduled to give a public lecture. But Julian insisted that we not sit in my office but walk around outside; then he wanted to veer off opposite from the direction to the Levis Center, then he wanted to stop for some tea and time was short, and I started thinking, "We'll be late, and everyone will blame me, I wish Julian would shape up." Then I realized that Julian was just being Julian even in this trivial episode. He was forcing me to break out of my accustomed routine for escorting visiting speakers on campus, and forcing me to question the ultimate rationality of my usual path and habit. In fact, that was Julian's defining characteristic as an economist — forcing each of us to question and justify our customary habits of thought and analysis.

One example keeps recurring to me every time I walk from the end of the G concourse in O'Hare airport where the shuttle from Champaign drops us off on to the end of the H or K concourse where my connecting flight is waiting. At some point passing by the assorted flight gates, I'll hear the check-in attendant announcing, "We are currently in an oversold situation and are looking for volunteers with

flexible travel plans who will be willing to take a later flight. We are offering(increasingly attractive opportunities to fly during the coming year).” And I think of Julian, who thought of this auction market solution to the airlines’ chronic problem of overbooking to protect against the risk of no-shows. A great idea and one that is now taken for granted by all the airlines and airline passengers, but one that earned him a steady stream of irritated, and sometimes outraged, mail over the years before it was enforced on airlines.

What to make of Julian Simon as an economist? Thomas Kuhn, in his classic work on *The Structure of Scientific Revolutions*, pointed out that any science develops in sporadic surges, with most scientists faithfully working within a generally accepted paradigm until it just doesn’t work in an increasing number of important cases where it should work. When a tradition breaking scientist’s ideas show how a new paradigm can resolve the difficulties with the old then we have a scientific revolution. Julian was committed to being the tradition-breaking economist and social scientist. Moreover, he did not hesitate to throw everything he could think of at any problem that came to his attention. Economic or sociological theory, unusual statistical techniques, unusual sources of data including even economic history -- he just wanted to find a market-oriented solution to the problem. No wonder he was irritating to so many of us, even on one rare occasion to a devoted friend like myself.

Recently, I have been reading about advances in a new branch of physics called “historical physics.” The key insight of historical physics is that many physical, and apparently many economic and social phenomena, can be elegantly described as “self-organized into critical states,” states of existence in which a small disturbance anywhere in the system can spread into the rest of the system. Moreover, each disturbance is scale-invariant – small disturbances are much more frequent, but have the same characteristics as large disturbances, which can undo the entire system.

Reading this, and reflecting on the work of Julian Simon as economist, I realized that he was truly a “self-organized critical mass of economic ideas,” each one of which had "scale-invariant disturbing" consequences! They ranged from minor issues, like how to get from my office to the Levis Center, to more important issues, like how to get a plane out of O’Hare to where I want to go, to global issues — how to alleviate so much of the world’s suffering from poverty and maldistribution of resources. Each idea managed to be irritating in some degree at each level, the opportunity cost, I suppose, of breaking up customary ways of thinking about things. But now, we confidently ride out the brief rises in the price of crude oil instead of worrying about running out of oil or other natural resources, we worry more about how the Asian economies will support their elderly in the future as their birth rates plummet than about being overrun by Asian immigrants, European countries reevaluate their anti-immigrant policies, American Airlines constantly cancels or diverts flights to maintain efficient load factors, and . . . I never take the same route twice between my office and the Levis Center.

—Larry Neal
Professor of Economics
College of Commerce and Business Administration