
Leland Bennett Yeager: 1924–2018

— ◆ —
ROGER G. KOPPL

Leland Yeager died quietly at home on April 23, 2018. With his passing went a great mind, a great teacher, and a beloved friend.

Yeager, who was born in Oak Park, Illinois, in 1924, received his Ph.D. in economics from Columbia. He taught for five years at the University of Maryland before moving to the University of Virginia, where he taught for nearly thirty years and was eventually named Paul Goodloe McIntire Professor. After retiring from Virginia, Yeager was named Ludwig von Mises Distinguished Professor of Economics at Auburn University, where he stayed until his retirement in 1995. Along the way, he was a visiting professor at Southern Methodist University, University of California at Los Angeles, New York University, and George Mason University. Yeager was president of the Southern Economic Association (1974–75) and the Atlantic Economic Society (1994–95); an adjunct scholar with the American Enterprise Institute and the Cato Institute; a fellow with the American Association for the Advancement of Science; a member of the Mont Pelerin Society; and director and president of Interlingua Institute and of Union Mundial pro Interlingua.

When Yeager was in high school, his history teacher, Miss Conner, suggested that he take the Henry George School's correspondence course on George's book *Progress and Poverty* (1879). After finishing that course, he took the course on *Protection or Free Trade* (1886). By the time he enlisted in the army at the age of eighteen, he was a convinced, even passionate, Georgist. He served in the U.S. Army as a Japanese cryptanalytic translator during World War II. I once asked him about this work and his

Roger Koppl is professor of finance in the Whitman School of Management at Syracuse University.

The Independent Review, v. 23, n. 3, Winter 2019, ISSN 1086–1653, Copyright © 2019, pp. 435–442.

knowledge of Japanese. He gave an evasive answer, modestly but implausibly suggesting that his war work required little or no knowledge of the Japanese language. After the war, Yeager enrolled in Oberlin College. He majored in economics, convinced that he already knew its essentials. There, and especially in graduate school, he learned that there was much more to economics that fascinated him. “I still greatly admire Henry George,” he once told me, “although I am no longer a single-taxer.”

Yeager’s doctoral dissertation at Columbia, “An Evaluation of Freely-Fluctuating Exchange Rates,” was written under the joint supervision of James W. Angell and Ragnar Nurkse. The “genealogy” of Yeager’s teachers suggests ties to both the Austrian School of economics and the Chicago tradition of Frank Knight. Angell had studied under F. W. Taussig and under Frank Knight’s teacher, Allyn Abbot Young. Nurkse had studied in Vienna, where he came under the influence of Ludwig von Mises, Oskar Morgenstern, and especially Gottfried Haberler, who became Nurkse’s life-long friend.

Yeager’s connections to the Austrian tradition extend well beyond the indirect connection through Nurkse. In a talk given in 2012 (Yeager 2012), Yeager explained Ludwig von Mises’s influence on him. In 1947, while still an undergraduate, he encountered two books by Mises: *Bureaucracy* (1944a) and *Omnipotent Government* (1944b). From the former, he got an understanding of how profit-and-loss considerations guide decisions in a firm, in contrast with the more procedural or rule-bound guidance required for organizations that do not seek money profits. Yeager knew in 1949 that Mises’s book *Human Action* would soon be published, and when it came out in September of that year, he bought a copy and read it. In November 1949, he gave a faculty seminar at Texas A&M on the socialist calculation debate, and the lecture was published unchanged (aside from updating citations) in 2011 as “The Debate about the Efficiency of a Socialist Economy.” This essay reveals a deep appreciation for the argument Peter Boettke has dubbed “the contribution of twentieth-century Austrian economics to political economy” (1998, 132, emphasis in original). While still a graduate student at Columbia University, Yeager wrote to Mises and asked to meet him. This letter led to an invitation to come to Mises’s Manhattan apartment and discuss ideas. Yeager also took a two-week seminar with Mises on monetary theory. Yeager and Mises grew close enough to have “exchanged Christmas cards for a few years.” Later, Yeager would translate Mises’s book *Nation, State, and Economy* into English (Mises 1983).

Between the two-week seminar and his prior reading of Mises’s works, Yeager developed the basics of his cash-balances approach to monetary theory, which may also be called the monetary disequilibrium theory. In this theory, the logic of the quantity theory of money is preserved but “not interpreted as some mechanical relation” (Yeager 2012). And purchasing power parity is treated similarly. “The key idea is that there is,” Yeager explained, “such a thing as a demand for cash balances to be held and a quantity of cash balances, money, to be held. And what happens if the quantity demanded and quantity supplied are not equal?” (Yeager 2012). When Yeager asked his teacher, the monetary theorist James Angell, what happens in monetary disequilibrium, Angell “simply didn’t understand the question. He had never been acquainted with the

distinction between [the] actual and demanded quantity of money. All money that exists must be demanded because it's being held voluntarily" (Yeager 2012).

Yeager summarized "the main ideas I learned from Mises": (1) "First and most specifically, monetary theory and the importance of distinguishing between actual and demanded quantities of money"; (2) "the logic of peaceful cooperation in a market economy. Competition and economic life in general are activities rather in contrast with the price theory that I'd learned as a grad student at Columbia"; (3) "interventionism and the . . . unintended consequences of particular interventions"; (4) "and, of course, the importance of a utilitarian basis of morality in personal and political life" (Yeager 2012).

Yeager always insisted that he was not an Austrian, only a "fellow traveler." Certainly, he had points of disagreement with other thinkers, including anyone we might label "Austrian." But his personal and intellectual connections to the Austrian School in general and Mises in particular run deeper than those of many scholars who eagerly insist on their "Austrian" credentials. Illustrative of this connection is the fact that when Yeager taught general equilibrium theory at the University of Virginia, he used the calculation debate to help convey the essentials of the theory.

One of Yeager's first professional publications, "The Methodology of Henry George and Carl Menger" (1954a), brought together his knowledge of two important influences on him: Henry George and the Austrians. He argued persuasively that Henry George was "a profound and original economist" (233). He deftly sketched and defended some characteristically "Austrian" positions, including Menger's compositive method, methodological individualism, the emphasis on human action, the value of "introspection" and "armchair theorizing" (235), the role of "mental or imaginative experiment" (236), a recognition of "some limitations of statistics and other methods of historical research in establishing or testing laws of economics" (236), the "'organic' conception of society" (236), the importance of dispersed knowledge, the epistemic critique of socialism, and a recognition of money and "new communities" (238) as evolutionary phenomena.

George was close to the Austrians on many of these themes, including methodological individualism. "The methodological individualism of George and Menger stems from a realization that economists' 'inside' knowledge of human motives and decision-making is a leading source of basic empirical generalizations" (Yeager 1954a, 238). In Yeager's interpretation of methodological individualism, the point is not some sort of ontological view that somehow makes only individuals real or anything of that general ilk. The point is that if we do not make use of our "'inside' knowledge of human motives," we are ignoring relevant information. Yeager always asked, "Who does what?" This humble question is more powerful than it may at first appear. If you cannot answer the question, if you don't know what your model implies about who does what, then the model is correspondingly incoherent. It is only if you know what your model says about who does what that you can check whether those imputed actions are sensible. Would the real-world persons in question do what your model says? Would the

motives you impute to them be familiar, sensible, and intelligible to them? Do they have the knowledge they would need to do what your model says? Could they deploy such knowledge in the way your model suggests? For example, do they have the required computational prowess? You should be able to answer these questions and answer them in the affirmative.

Later, in “Henry George and Austrian Economics” (1984), Yeager turned his attention to other similarities between George and the Austrians. George “independently arrived at several of the most characteristic insights of the ‘Austrian’ School” (157), including an evolutionary theory of both language and money. To me, the most striking of these similarities was George’s thorough anticipation of the Mises–Hayek argument that rational economic calculation under socialism is impossible. And George’s argument builds squarely from the “Austrian” insight that knowledge is dispersed. George deploys “insights later also achieved by F. A. Hayek,” Yeager said, when discussing “the mobilization of knowledge that is inevitably dispersed and that simply could not be centralized and put to use by a single mind or a single organization” (1984, 166). Some parts of George’s critique of socialism “remind us of the emphasis of present-day Austrians on the creative role of entrepreneurship” (168). Yeager remarked that George “and the Austrians agree that a central task of economics is to explain how specialized human activities may be coordinated without deliberate direction” (164).

James Buchanan recruited Yeager to the University of Virginia after reading his publication “Some Questions about Growth Economics” (1954b) in the *American Economic Review*. Yeager once told me that on the evening of his on-campus interview, he chose bourbon after being asked for his drink order and was later told that this had been “the right” order!

The paper that drew Buchanan’s attention was a criticism of Harrod–Domar growth models, which purported to show that if growth does not occur at just the right rate, either unemployment or shortages will ensue. In these models, the optimal growth rate is a razor’s edge, and it becomes an important job of government to prevent the system from straying from this narrow path. These models missed the Misesian distinction between the demand for cash balances, on the one hand, and the quantity of money to be held, on the other. Paying attention to cash balances and whether we are in monetary disequilibrium draws our attention to equilibration mechanisms assumed away by both Roy Harrod and Evsey Domar. Yeager’s criticism displayed some characteristic features of his future scholarship. He objected, “[T]he theory conceals its assumptions in concepts that are remote from actual human behavior” (1954b, 61). Here, as elsewhere, Yeager insisted that we always peel back the label to see who does what. Blackboard economics and all its equations are fine, but we should not let variable names keep us from the *analysis of real-world* phenomena. Yeager sounded like Mises when he complained that Harrod–Domar growth models neglect “an important fact: there are no constants in economics” (1954b, 62).

Yeager’s book *International Monetary Relations: Theory, History, and Policy*, first published in 1966, is a vigorous defense of free trade. William Breit, Kenneth G.

Elzinga, and Thomas D. Willett report that this book “made a major contribution to the reevaluation of the then widely-accepted view that the 1930s had demonstrated the prevalence of destabilizing speculation and the inherent instability of flexible exchange rates” (1996, 220). The book includes an important reconciliation of three approaches to exchange rates and the balance of payments: (1) the absorption approach, (2) the elasticities approach, and (3) purchasing-power-parity theory. If we pay attention to who does what, we find that the substantive differences between these approaches fall away. In Yeager’s hands, the neglected purchasing-power-parity theory was a theory of equilibration. The point is *not* that we should expect the exchange rate times the measured price index in one country to equal the measured price index in the other country. There are good reasons such parity might not exist, including the limits of index numbers. In Yeager’s hands, the theory—or, more properly, the *framework*—shows us the forces at work. It shows us how arbitrage induces price parity across national borders. Some goods are easier to trade across a national border than others. Currencies are the easiest or among the easiest. Thus, we should expect interest parity conditions to apply almost instantly. Textiles are probably less easily traded than financial instruments but more easily traded than automobiles. Thus, the equilibration process for textiles will be slower than for currencies but quicker than that for automobiles. Even supposed nontradeables such as housing are subject to the logic of purchasing-power parity. Retirees in the United States, for example, may sell their relatively expensive homes and move to cheaper housing in, say, Costa Rica. Such a move tends to lower the price of housing in the United States and raise the price of housing in Costa Rica, thus moving us closer to purchasing-power parity.

Yeager was an architect of public choice and Virginia School political economy. I think his importance in this connection has been underestimated. Gordon Tullock seemed to have agreed when he said, “Leland had a major role in getting public choice started” (2006, 45). Tullock expressed his strong suspicion that Yeager lobbied hard to get Tullock a post doc in Virginia. And he credited Yeager with teaching him a lot of economics. In 1962, Yeager edited a collection of essays entitled *In Search of a Monetary Constitution*. He thus applied to monetary economics the same constitutional perspective for which Buchanan and Tullock are more famous. Yeager’s presidential address to the Southern Economic Association (Yeager 1976) included a public-choice analysis of democracy and the tendency toward growth in government. And it anticipated Bruce Yandle’s famous article “Bootleggers and Baptists: The Education of a Regulatory Economist” (1983). Both Yeager and Yandle pointed out that in representative democracies, laws and policies are influenced not only by special interests but also by do-gooders with relatively narrow perspectives on the public good. Yandle called such do-gooders “Baptists.” Seven years earlier Yeager had spoken of “hobbyists.” These “hobbyists,” Yeager explained, “are voters who have identified themselves with some mission or are seeking a sense of participation in a noble cause.” Hobbyists “tend, by their very nature, toward an expanded role for government” (1976, 564).

Yeager was an early pioneer of public-choice theory. He disagreed with Buchanan, however, on the ethical foundations of political economy. As we have seen, he attributed his own broadly utilitarian perspective to Mises's influence on him. It seems to me that he was right to raise a rather obvious objection to contractarian theories. I remember him exclaiming that no one "*actually signed*" such a supposed agreement. Yeager was a utilitarian who viewed social cooperation as so important to human happiness or flourishing that it becomes a "near ultimate" ethical criterion. His indirect utilitarianism went beyond the distinction between rule utilitarianism and act utilitarianism. Certainly, we cannot separately calculate for each action—and nonaction—all its ramified consequences over time to reach a reliable conclusion about the net tendency to improve or impair human happiness. This insight may lead one to rule utilitarianism: figure out what *rules* will lead to the greatest happiness for the greatest number. Yeager went beyond rules utilitarianism to "indirect utilitarianism," which "inquires not merely into what rules but also and especially into what character traits, habits, attitudes, and dispositions are likely to serve both a person's own happiness and the general happiness" (1996, 12). Thus, indirect utilitarianism almost merges into virtue ethics, albeit with the emphasis always on the *consequences* of virtue. Moreover, Yeager wanted moral rules that "for the most part are simple and easy to learn and comply with" (2001, 91). Only "institutions, laws, traditions, patterns and maxims of behavior, and personal dispositions and character traits" that are "realistically possible" are "in the running" for Yeagerian indirect utilitarianism (2001, 81).

Yeager advocated "following familiar moral rules" (2001, 87). This precept follows from the fact that "people sometimes follow rules that they cannot fully articulate" (2001, 9). If the effect of any one rule depends on all the other rules, and if we do not know all the rules we follow, then we cannot compute the different consequences of alternative rules or rule sets. But we may still calculate whether a proposed rule *change* will likely add or subtract from human "flourishing." We can edit, as it were, the current rule set. Such editing is all that Yeager's "rule utilitarianism" calls for. Despite its ambitious name, Benjamin Franklin's "plan for attaining moral perfection" aimed at just such a one-step-at-a-time approach to personal virtue. And at the social level, the one-step-at-a-time approach was expressed in Karl Popper's call for "piecemeal social engineering."

During his long tenure at the University of Virginia, Yeager came to acquire a "mystique," which has been wittily and eloquently described by Breit, Elzinga, and Willet (1996). I might disagree, however, with one part of their appreciation. They recount how Yeager often stared intently at visitors in his office. They, like so many others, interpreted "the stare" as the purposeful contrivance of a penetrating "psychoanalyst." They seem to think that he was somehow getting the better of the visitor. But Leland was an unpretentious and humble man who seemed forever unable to understand that others around him were less intelligent and less accomplished than he. Thus, he would never be so rude or supercilious as to assert dominance by staring you down. The true meaning of the Yeager stare was always "I am interested and, indeed,

eager to acquire new insights, ideas, facts, or knowledge from you, and I am therefore focusing fully on what you are saying. Please continue.” I don’t think he knew about “the stare” until he read of it in Breit, Elzinga, and Willett’s essay about him.

Language formed another element of the Yeager mystique. I have heard different claims about how many languages he knew, ranging from six to thirty or more. He would not say and even claimed—modestly and implausibly—insufficient familiarity with all but English. His scholarly books and papers, however, contain citations to works in many languages, including French, German, and Russian. I once had the pleasure of playing a game of three-language Scrabble with him and others. Some players used French, some Italian, and some English; only Leland used all three. And then there was Interlingua. As I noted earlier, Yeager did service both as director and president of the Interlingua Institute and as director of the Union Mundial pro Interlingua. He was always quick to point out that Interlingua was not like Esperanto. The latter, he would explain, is an arbitrary “hodge-podge” of different languages, whereas Interlingua is modern Latin. Linguists have studied the various ways in which modern romance languages simplify Latin. Adam Smith, for example, noted that the “Lombard” who struggled to say correctly “I am loved” (*amor*) could improvise by saying, “Ego sum amatus.” In this way, structure substitutes for conjugation. Interlingua collects all such simplifications into one modern language. Leland wrote several letters to my Italian in-laws in Interlingua, which they could understand effortlessly.

Leland Yeager was a compelling figure. He improved and inspired all of us lucky enough to know him. He made many more contributions to economics than I have been able to mention here. His essay “Essential Properties of the Medium of Exchange” (2007) is a classic. “Methodenstreit over Demand Curves” (1960) is a gem. His proposal (with Robert Greenfield) for monetary reform is underappreciated (Greenfield and Yeager 1983). And so on. In his technical economic writings, Yeager looked into the *details* of who does what, knowing that the answer depends in part on whether we are in equilibrium or disequilibrium, particularly but not exclusively, with real cash balances. Yeager brought the results of his technical economics to the normative question of what promotes social cooperation. To do these few things as consistently, relentlessly, and *productively* as Yeager did requires a vast erudition few of us can match. But we can, each of us, hold his example in mind and apply ourselves diligently to the problems before us.

References

- Boettke, Peter J. 1998. Economic Calculation: *The Austrian Contribution to Political Economy*. *Advances in Austrian Economics* 5:131–58.
- Breit, William, Kenneth G. Elzinga, and Thomas D. Willett. 1996. The Yeager Mystique: The Polymath as Teacher, Scholar, and Colleague. *Eastern Economic Journal* 22, no. 2: 215–29.
- George, Henry. 1879. *Progress and Poverty*. New York: D. Appleton.
- . 1886. *Protection or Free Trade*. London: Kegan Paul, Tiench.

- Greenfield, Robert L. and Leland B. Yeager. 1983. A Laissez-Faire Approach to Monetary Stability. *Journal of Money, Credit and Banking* 15, no. 3: 302–315.
- Mises, Ludwig von. 1944a. *Bureaucracy*. New Haven, Conn.: Yale University Press.
- . 1944b. *Omnipotent Government: The Rise of the Total State and Total War*. New Haven, Conn.: Yale University Press.
- . 1949. *Human Action: A Treatise on Economics*. New Haven, Conn.: Yale University Press.
- . 1983. *Nation, State, and Economy: Contributions to the Politics and History of Our Time*. Translated by Leland B. Yeager. Edited by Bettina Bien Greaves. Indianapolis, Ind.: Liberty Fund.
- Tullock, Gordon. 2006. Leland: A Personal Appreciation. In *Money and Markets: Essays in Honor of Leland Yeager*, edited by Roger Koppl, 45–47. New York: Routledge.
- Yandle, Bruce. 1983. Bootleggers and Baptists: The Education of a Regulatory Economist. *Regulation* 7, no. 3: 12–16.
- Yeager, Leland B. 1954a. The Methodology of Henry George and Carl Menger. *American Journal of Economics and Sociology* 13:233–38.
- . 1954b. Some Questions about Growth Economics. *American Economic Review* 44:53–63.
- . 1960. “Methodenstreit over Demand Curves.” *Journal of Political Economy* 68, no. 1 (February): 53–64.
- , ed. 1962. *In Search of a Monetary Constitution*. Cambridge, Mass.: Harvard University Press.
- . 1966. *International Monetary Relations: Theory, History, and Policy*. New York: Harper and Row.
- . 1976. Economics and Principles. *Southern Economic Journal* 42, no. 4: 559–71.
- . 1984. Henry George and Austrian Economics. *History of Political Economy* 16, no. 2: 157–74.
- . 1996. Ethics as Social Science. *Atlantic Economic Journal* 24, no. 1: 1–18.
- . 2001. *Ethics as Social Science: The Moral Philosophy of Social Cooperation*. Cheltenham, U.K.: Edward Elgar.
- . 2007. “Essential Properties of the Medium of Exchange.” *Kyklos* 21, no. 1 (May): 45–69.
- . 2011. The Debate about the Efficiency of a Socialist Economy. In *Is the Market a Test of Truth and Beauty? Essays in Political Economy*, 72–92. Auburn, Ala.: Ludwig von Mises Institute.
- . 2012. What I Learned from Ludwig von Mises. Individual Lectures, July 28, Mises Institute. At <https://mises.org/library/what-i-learned-ludwig-von-mises>. Posted April 24, 2018.

SUBSCRIBE NOW AND RECEIVE A FREE BOOK!



“*The Independent Review* does not accept pronouncements of government officials nor the conventional wisdom at face value.”

—**JOHN R. MACARTHUR**, Publisher, *Harper’s*

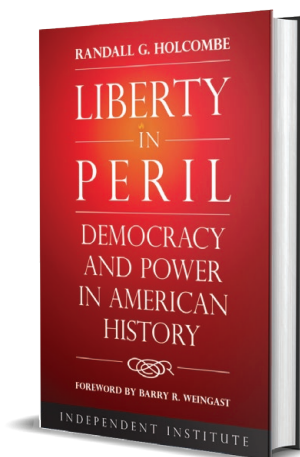
“*The Independent Review* is excellent.”

—**GARY BECKER**, Nobel Laureate in Economic Sciences

Subscribe to [The Independent Review](#) and receive a free book of your choice such as *Liberty in Peril: Democracy and Power in American History*, by Randall G. Holcombe.

Thought-provoking and educational, [The Independent Review](#) is blazing the way toward informed debate. This quarterly journal offers leading-edge insights on today’s most critical issues in economics, healthcare, education, the environment, energy, defense, law, history, political science, philosophy, and sociology.

Student? Educator? Journalist? Business or civic leader? Engaged citizen? This journal is for YOU!



Order today for more **FREE** book options

SUBSCRIBE

The Independent Review is now available digitally on mobile devices and tablets via the Apple/Android App Stores and Magzter. Subscriptions and single issues start at \$2.99. [Learn More.](#)

