

A French-American Episode in the History of Macroeconomics.

The Early Years of the “International Seminar on Macroeconomics”

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Abstract

This work addresses the early years (1978-1985) of the “International Seminar on Macroeconomics” (ISoM), an annual seminar co-organized by the National Bureau of Economic Research (NBER) and the French Ecole des Hautes Études en Sciences Sociales (EHESS). Relying on archives, interviews and the published proceedings of the first eight meetings, we investigate how the organizers of the ISoM attempted to promote international convergence of viewpoints among U.S and European scholars and economic advisors. Besides uncovering the singular history of the ISoM itself, our work analyzes the contributions to the seminar and their evolution. We claim that such evolution has three distinctive characteristics—of major interest for the history of recent macroeconomics. First, we illustrate how the rational expectations hypothesis became a less and less controversial issue among the participants. Second, we show the decline of disequilibrium theory within the ISoM. Third, we suggest that the participants shared a same view and practice of macroeconomics, namely as an “applied science”—dealing with real-world problems, policy-oriented and based on quantitative methods.

Keywords: History of macroeconomics; NBER; ISoM; Rational expectations; EHESS; Gordon (Robert, J.); de Ménil (Georges); disequilibrium theory.

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Introduction

“Top field journals” is a current expression in nowadays economics. It refers to journals publishing articles that will receive a large amount of citations. Similarly—though the expression is not as popular—one could say that there are “top field seminars” (or “top field conferences”), i.e. those selective seminars that gather prestigious scholars and, eventually, promising or emerging researchers. The annual “International Seminar on Macroeconomics” (ISoM) is today such a top field seminar. The ISoM is currently sponsored by the National Bureau for Economic Research (NBER),¹ and co-organized by Jeffrey Frankel (NBER associate and Harvard professor) and Hélène Rey (London School of Economics). Some of the most cited contributions to macroeconomics during the last two decades have been presented within the ISoM. Frankel proudly advertises on his web page² the “10 classic ISoM papers”, as well as a list of “ISoM Greatest Hits”—enumerating 15 highly cited papers arising from the ISoM.³

Our contribution addresses the early history of the ISoM—from its creation and first meeting in Paris (10-12 September 1978) to the eighth seminar (23-25 June 1985). During its earlier years, the ISoM was sponsored by the NBER and the French “Fondation Maison des Sciences de l’Homme” (FMSH). Co-organizers of the seminar were Robert J. Gordon (Northwestern University and NBER associate) and Georges de Ménil (École des Hautes Études en Sciences Sociales, EHESS).⁴

¹ From 2002 to 2012, the NBER also published (within the University of Chicago Press) the proceedings of the ISoM. Starting from 2013, selected articles presented at the ISoM are published by the *Journal of International Economics*.

² <https://scholar.harvard.edu/frankel/international-seminar-macroeconomics-isom>, retrieved 22/11/2017.

³ This includes, notably, “Monetary policy rules in practice: Some international evidence” (Clarida et al., 1998); “Interpreting the macroeconomic time-series facts: The effects of monetary policy” (Sims, 1992); “The advantages of tying ones hands: EMS discipline and central bank credibility” (Giavazzi and Pagano, 1988); “The collapse of purchasing power parities during the 1970s” (Frenkel, 1981); “The pure theory of country risk” (Eaton et al., 1986).

⁴ We will hereafter refer to the ISoM as “co-organised by the NBER and the EHESS”, hence ignoring, for sake of simplicity, the fact that the seminar was actually co-organized by the NBER, the EHESS and the FMSH. The FMSH provided the funding, while scientific organization of the seminar was carried out by de Ménil as EHESS personnel. Note that the FMSH is a private foundation, established in 1959 by a group of researchers (including Lucien Febvre, Fernand Braudel, Gaston Berger, Claude Lévi-Strauss, Clemens Heller), with the help of the Rockefeller and Ford foundation. The founding members of the FMSH were all members, at that time, of the social sciences department of the “École pratique des hautes études” (EPHE), a multidisciplinary “grande école” (French higher education institution, apart from public university system). The FMSH provided this group with additional financial support for initiating several research projects in social sciences; ultimately, this led them to leave the EPHE in 1975, to found the EHESS, an autonomous “grande école” focused on research and teaching of social sciences.

Each year, the seminar gathered between 20 and 30 macroeconomists from the U.S. and different European countries. As a result of the Franco-American leadership in the organization (and attendance) of the ISoM, five over eight of the first sessions were held in France—in four occasions within the EHESS main facility, the Maison des sciences de l’Homme (MSH), and in one occasion within a Banque de France facility, the Château de Ragny. Seven papers were presented each year, in plenary sessions, and *two* assigned discussants (one from a U.S. American institution and one from a European institution) commented on each paper. Starting from the second meeting in 1979, the ISoM proceedings were also published, the following year, by the *European Economic Review*, as a special issue.

The ISoM ambition of the ISoM was clearly presented by Gordon and de Ménéil in their introduction to the first ISoM special issue in the *European Economic Review*—under the eloquent title “Beyond Misconceptions”. Gordon and de Ménéil argued that there was a lack of dialogue and mutual understanding between different actors in the economic profession, especially in relation with macroeconomic policy issues:

In recent years relations between Europe and the United States have at times been strained by conflict over major issues of macroeconomic policy [...] Within Europe [...] effective coordination has been slow to develop. [...] within each of the nations of Europe, public dialogue on issues of economic policy is generally underdeveloped. [...] professional in universities are relatively isolated both from decision making in government and from their counterparts in other European countries. (de Ménéil and Gordon, 1980, 1)

Consequently, according to Gordon and de Ménéil, the purpose of the ISoM was to overcome these three existing boundaries (between the U.S. and Europe, among European countries and between universities and policy-making institutions):

Conscious of the need for a more ample dialogue on policy matters between the United States and Europe, and across national and institutional boundaries within Europe, a group of economists at the National Bureau of Economic Research (NBER) and the Ecole des Hautes Etudes en Sciences Sociales conceived of a series of international seminars *designed to bring together American and European scholars and policy-makers [...] for a high-level examination of selected macroeconomic issues*. (de Ménéil and Gordon, 1980, 1, our emphasis)

The purpose of our work is to uncover what exactly were the “misconceptions” put forward by Gordon and de Ménéil: Which issues (about theory, empirical methods, economic policies) were crucial to the ISoM organizers and participants?

Which issues were common ground for discussion, and which were matter of contention? Our paper investigates these questions by relying on the ISoM proceedings, archives and interviews with some of the participants to the seminars.

Our first claim is that the common ground for the ISoM participants was their conception and their practice of macroeconomics as an “applied science”—i.e. a field dealing with real-world problems, policy-oriented and based on quantitative methods. In practice, this means that most of the papers presented at the ISoM could be characterized as: (1) referring to or addressing the specific economic situation of one (or more) OECD country during the 1970s-1980s, with explicit reference to the oil shocks and their consequences in terms of output and inflation (stagflation), productivity, external balance and exchange rates; (2) discussing the impact (actual or hypothetical) of monetary, fiscal and exchange rate policies in the OECD countries, and especially their ability to fight stagflation; (3) relying on empirical evidence, new data sets and large scale macroeconomic models to discuss the aforementioned points. Besides, the participants to the ISoM also shared the view that price and wage rigidities were a crucial mechanism to understand issues (1) and (2).

Our second claim is that the debates within the ISoM (the “misconceptions”) focused indeed on the treatment of price and wage rigidities. These debates were two-sided. On the one hand, participants were trying to assess country-specific mechanisms and running cross-countries comparisons. On the other hand, they discussed the theoretical treatment and specification of price and wage rigidities. These latter issues went through substantial changes over the first eight meetings of the ISoM. In our work, we will uncover the progressive decline, within the ISoM, of analyses of rigidities along the lines of the “disequilibrium theory” (Barro and Grossman, 1971; Malinvaud, 1977); while the formalization of rigidities along the lines of individual maximizing behavior gained momentum. Closely connected to this evolution is the use of the rational expectation hypothesis: we observe how it progressively spread across participants.

Besides uncovering the history of the ISoM itself, our analysis of the “misconceptions” at stake during this early years of the seminar are of a more general interest. Our analysis naturally draw some insights on the state of macroeconomics in the late 1970s and early 1980s.⁵ Usual historical views about that period em-

⁵ We focus on the first eight years of the ISoM (1978-1985) precisely because this period overlaps with the crucial period of ongoing transformation of the discipline (see e.g. Hoover 1988 or De Vroey, 2015). Besides, the organization of the ISoM is relatively homogeneous (stable “core group” of organizers, stable institutional arrangements about funding etc.). Starting from 1986 up to today, the ISoM went through significant changes: there was more turnover in the advisory committee and the list of participants, the meetings in Paris became less and less frequent, while the EHESS funding became less and less preeminent starting from 1988, and ultimately ceased in 1993 (when de M enil also withdrawn from the organization).

phasizes theoretical debates following the blow of the so called “new classical” or “rational expectations” revolution (Begg, 1982; Miller, 1994; Wren-Lewis, 2014). Conversely, our analysis shows that such a dramatic depiction of this period (eventually appropriate for other contexts) is actually quite inadequate for describing the debates within the ISoM. Presentations, discussions and general conversations were far from any kind of struggles among competing “schools of thought” (as depicted for instance in Hall, 1976; Phelps, 1990; Snowdon, 2007). Moreover, rather than theoretical diatribes, the discussion within the ISoM was driven by applied questions. Consistently, some of the new theoretical insights of that time, such as rational expectations, were not very controversial: quite to the opposite, we observe a progressive spreading of the use of rational expectations in the contributions to the ISoM—*although*, the general framework of new classical macroeconomics (including market clearing and Lucasian microfoundations) was fairly ignored.

In addition, our analysis point a new element in the history of the disequilibrium theory (Backhouse and Boianovski, 2013), namely its international network. The ISoM was indeed the crucial workhouse for the elaboration of these models and a important meeting point for this community—most of its key actors (Edmond Malinvaud, Richard Portes, Giorgio Basevi, ...) were involved in the “core group” of the seminar’s participants.

We think that conferences such as the ISoM are essential material for historians to precisely *map the practices* of macroeconomists with respect to specific issues (here, the treatment of expectations and price/wage rigidities).⁶ Instead of relying on generic accounts about loosely defined “schools of thought”, conferences provide a precise and compelling delimitation of individuals, ideas and debates. Besides, in the specific case of the ISoM, the stability of the conference over the chosen period (an annual meeting with the same structure and a stable core group of participants) is suitable for spotting breaks and evolutions. Obviously, one should be careful in *extending* (or generalizing) to the discipline as a whole the peculiar features observed in a conference. This is due to the bias in the selection of the participants (for instance, specific preferences about theoretical frameworks or methodology), raising the issue of representativity—and the ISoM was no exception to this: it mirrors, imperfectly, the state of the discipline, and constitutes indeed only one *episode* in the history of macroeconomics.

The remaining of the paper is organized as follows. In the first section, we dig in the early history of the ISoM to illustrate *how* Gordon and de Ménil’s organization of the annual session (location, schedule, funding, selection of the topics and participants) fitted with their project about (re)building a dialogue within U.S. and European macroeconomists, both from universities and policy-making institu-

⁶ For a more extensive discussion of this aspect, see Goutsmedt (2017).

tions. In the second section, we investigate the wider context of the creation of the ISoM. By highlighting the main topics of discussion within the ISoM, we illustrate how they echoed the current economic situation at the time and ongoing debates about macroeconomic policies. This leads us to uncover the common ground to all ISoM participants, namely a similar approach of macroeconomics as an “applied science”. Finally, sections 3 and 4 analyze the evolution in the theoretical treatment of expectations and wage rigidities.

1 The ISoM: A family portrait

Table 1 below summarizes dates, locations and number of participants to the first eight meeting. The two first annual ISoM took place in Paris, at the MSH, second week of September. Starting from the third meeting, the seminar was held earlier in the year (third week of June) and it was located alternatively in France and in another European country (the U.K in 1980, West Germany in 1982, Italy in 1984).

Table 1: **ISoM 1978-1985: Date, location, number of participants, by year**

Date	Location	Participants
1978, 11-12 Sept.	Paris, MSH	21
1979, 10-11 Sept.	Paris, MSH	32
1980, 23-24 June	Oxford, Trinity College	35
1981, 18-19 June	Paris, MSH	32
1982, 20-22 June	University of Mannheim	26
1983, 26-28 June	Paris, MSH	30
1984, 24-26 June	Università di Perugia	32
1985, 23-25 June	France, Château Ragny	31

The schedule of the ISoM remained the same all over this period: a two-days meeting, with seven papers presented during seven plenary sessions. Presenters were given 10 minutes to introduce their articles (as the papers were sent to the participants before the meeting); each paper had two designated discussants—one European and one U.S. macroeconomist—who were given 20 minutes each for comments; 40 minutes were left to general discussion from the audience. The complete list of the presenters and discussants, based on the attendance records found in the FMSH archive, are summarized in the Appendix, Tables 7-14. Also, archives show that the ISoM schedules included one “round-table” (or “panel discussion”), held as the last plenary session of the first day: sometimes, these collective discussions

have been “informal”, sometimes invited speakers presented a short contribution (which was then published in the proceedings; see Table 6 *infra*).

The core group

The number of participants to the ISoM varied from 21 participants (in the first meeting) to 35 in 1982 (see Table 1 above). From the beginning, Gordon and de M enil’s project was to run a small seminar. Their idea was to establish a “core group” participants attending the ISoM on a regular basis. In a draft project about “a series of European conferences on Macroeconomic policy”, addressed to FMHS administration, de M enil explains:

these conferences will be attended first by a core group of about 20 “regulars” consisting of roughly 15 economists who could be expected to contribute papers and 5 or 6 more established figures who could bring their experience and would be expected to participate actively in the discussion. Additional papers would be solicited for each conference from economists who might not be part of the group, but would be working on specific topics of interest to the group. (de M enil, “A project for a series of European conferences on Macroeconomic policy”, 1978; 5A2 art., 215, box 76)⁷

Based on the attendance records, we can indeed observe such a “core group”, involving 19 people (see Table 2 below).

Besides Gordon and de M enil, 5 others participants (1 U.S. Americans and 4 Europeans) attended really regularly the ISoM (Jacob Frenkel and Heinz K onig, 7 participations; Uwe Westphal, 6; Jean Waelbroeck and John Flemming, 5). 12 other macroeconomists (6 U.S. Americans and 6 Europeans) attended 4 or 3 times the ISoM during its eight first years.

Among these 19 regular participants, overall 8 were U.S. American scholars and NBER affiliated, including the President and CEO of the NBER, Martin Feldstein, and Charles McClure, the Vice-President.⁸ Among the 11 European macroeconomists, French macroeconomists formed the most important subgroup (de M enil, Jacques Mairesse, Edmond Malinvaud, Patrick Artus), with British scholars (Flemming, Richard Portes, Angus Deaton).

However, digging further into archival evidence, it appears that some of these regular participants to the ISoM played a more active role in the inception and organization of the seminar. Feldstein for instance, should be actually credited with the idea of creating the ISoM (Gordon, 2017, personal communication; Letter from de M enil to the German Marshall Found, 25/02/1982, 5A2 art., 215, box 76).

⁷ All the unpublished materials quoted hereafter come from the Archive of the FMSH.

⁸ Besides, Feldstein was also charing the Council of Economic Advisors from 1982 to 1984.

Table 2: ISoM 1978-1985: the “core group”

Name	Affiliation	Participations (over 8)
Robert J. Gordon	Northwestern and NBER	8
Georges de M�enil	EHESS	8
Jacob Frenkel	Chicago and NBER	7
Heinz K�onig	University of Mannheim	7
Uwe Westphal	University of Hamburg	6
Jean Waelbroeck	Universit�e libre de Bruxelles	5
John Flemming	Nuffield College and Bank of England	5
William Branson	Princeton and NBER	4
Jacques Mairesse	EHESS and INSEE	4
Jeffrey Sachs	Harvard and NBER	4
Robert Hall	Stanford and NBER	4
Martin Feldstein	NBER (President, 1977-82, 1984-2008)	4
Giorgio Basevi	Universit�a di Bologna	4
Richard Portes	Birbeck College and EHESS	3
Edmond Malinvaud	INSEE	3
William Nordhaus	Yale and NBER	3
Angus Deaton	University of Bristol	3
Charles McClure	NBER	3
Patrick Artus	INSEE, ENSAE, Banque de France	3

It was also Feldstein who suggested Gordon and de M enil as co-organizers of the seminar (*ibid.*). Furthermore, he was the one making the decision for the NBER to provide funding to the seminar. In many respects, without this strong support, the first meeting of the ISoM in the 1978 would have not taken place: thought the event was hosted by the EHESS in its main facility, the whole funding for traveling expenditure was provided by the NBER (5000\$; 5A2 art., 215, box 76). After this first meeting, the NBER continued to support the ISoM only thanks to de M enil ability to convince the FMSH director, Clemens Heller, to sponsor traveling expenditure for European participants. Hence, starting from 1979, the NBER and the FMSH came to a three-year agreement for sharing expenses of the ISoM (50-50); the agreement was renewed every three years until 1994 (when de M enil also stopped being co-organizer of the ISoM). Correspondence held in FMSH archive also uncovers de M enil lasting effort to provide each year additional funds for the ISoM, by soliciting public and private institutions (5A2, box 73; 5A2, art. 215, box 76).⁹

⁹ For instance, the 1979 meeting was funded with additional 5000\$ by the Fritz Thyssen Founda-

Ten members of the core group served in the “advisory committee” of the ISoM (see Table 3 below).

Table 3: **ISoM 1978-1985: the Advisory Committee**

Year	Members
1978-1979	Robert J. Gordon, Georges de M�enil, Heinz K�onig, Jean Waelbroeck, John Flemming, Robert Hall, Giorgio Basevi
1980-1982	Robert J. Gordon, Georges de M�enil, Heinz K�onig, Jean Waelbroeck, John Flemming, Giorgio Basevi, William Branson
1983-1985	Robert J. Gordon, Georges de M�enil, Heinz K�onig, Jean Waelbroeck, John Flemming, Giorgio Basevi, William Branson, Jacques Mairesse, Jacob Frenkel

This committee backed Gordon and de M enil in the organization of the seminar, including selecting future participants, issuing invitations and shaping programs for the meetings (*cf. infra*). Members of the advisory committee also took charge of the organization of the ISoM in other European cities, and the related research for additional funding.¹⁰ Finally, Waelbroeck, who was one of the two editors-in-chief of the *European Economic Review*, played an important role in supporting the proceedings.¹¹ In 1978, Waelbroeck, Gordon and de M enil came to an agreement about the *European Economic Review* publishing “a symposium based on the seminar papers” (Letter from Waelbroeck to Gordon and de M enil, 27/10/1978 and 16/03/1979, 5A2 art., 215, box 76). Publishing would take place within six months after each meeting, and would involve no additional cost for the ISoM organizers. The refereeing process would involve one participant to the seminar acting as a referee for the journal; besides, Waelbroeck would informally perform a pre-selection of the papers—“if a paper is not good (or represents re-

tion; 1980, 1981 and 1984 meeting received financial supported by public institutions, namely the Social Science Research Council, the National Science Foundation (NSF), the French Conseil national de la recherche scientifique (CNRS), the French central bank (Banque de France) and the Centre for Economic Policy Research (CEPR). Additional attempt for funding include the Rockefeller foundation and the German Marshall Fund. Note that in 1988 the recently established European Economic Association (chaired by Malinvaud at that time) also engaged for a three year sponsoring of the ISoM (5A2, box 73).

¹⁰ Flemming organized the seminar at Trinity College in Oxford, in 1980; Basevi organized the ISoM 1982 in Perugia; K onig organized the 1984 session in Mannheim.

¹¹ The initial project for the ISoM, presented by de M enil to the FMSH administration in 1978, did not request support or funding for publishing of the conference papers: de M enil argued that the papers would be “good enough to be easily published” (de M enil, “A project for a series of European conferences on Macroeconomic policy”, 1978; 5A2 art., 215, box 76). The papers from the first meeting (1978) were indeed not published.

search which obviously has not matured), I will say so at the seminar.” (*ibid.*) Indeed, the *European Economic Review* published the proceedings of the second ISoM meeting (held in Paris, 10-11 September 1979) as its May issue 1980; the publishing of ISoM proceedings by the *European Economic Review* continued until 2002.¹²

The ISoM core group was actually based on pre-established contacts: most of the members of the Advisory Committee already knew each other quite well far before the inception of the ISoM in 1978. De M n l and Gordon met at the end of the 1960 at the MIT graduate school, where both were completing their PhD (Gordon defended his PhD in 1967, de M n l the year after) and they have been occasionally in contact after leaving the MIT.¹³ Hall and Branson were both PhD student at the MIT, at the end of the 1960s, as de M n l and Gordon. Feldstein, who completed his PhD at Nuffield College, Oxford, in 1967, met there Flemming and Portes. Feldstein was also the PhD supervisor of Jeffrey Sachs (Harvard, 1980).

Common education background was not the only pre-established connection among the members of the ISoM core group. The NBER associates (Gordon, Frenkel, Branson, Hall, Nordhaus) obviously met Feldstein and McClure through this channel. French members of the core group knew each other for being all working within the French National Institute for Statistics (INSEE). Moreover, they all have been involved in a common project within the INSEE. When Malinvaud was appointed general director of the INSEE in 1974, he strongly supported a project for building a new macroeconomic model for France, named METRIC (see de M n l and Nasse 1977 and Artus et al. 1981). de M n l, who was hired by the INSEE in 1975, was specifically appointed by Malinvaud as head of the METRIC project—probably also thanks to his previous U.S. experience in the building of the MPS model within the Federal Reserve Board.¹⁴ Patrick Artus and Jacques Mairesse were also involved in the building of METRIC; moreover, METRIC will further be in use for a long time at the French Ministry for the Economy and Finance and at the INSEE.¹⁵

¹² Some adjustments took place after the publishing of this first issue. Gordon and de M n l asked Waelbroeck to publish the articles following the order of the conference program, instead of putting them in alphabetic order; they also insisted for having the issue properly presented as “ISoM special issue” of the *European Economic Review* (Letter from Gordon and de M n l to Waelbroeck, 13/06/1980, 5A2 art., 215, box 76).

¹³ Gordon taught at Harvard, Chicago and then joined Northwestern in 1973; de M n l taught at Boston College, then at Princeton; he came back to France in 1975, joining first the French National Institute for Statistics (INSEE) and successively the economics department of the EHESS (then-recently established).

¹⁴ For instance, the investment sector of METRIC in Artus et al. (1981) was acknowledgedly inspired by Ando et al. (1974)’s work on the MPS model.

¹⁵ As Fourcade (2009) emphasizes, “the development of economic knowledge production in France

Building large scale macroeconomic models was also the opportunity for de M enil to meet Westphal. From the beginning of the 1970s, Westphal has been head SYSIFO, a similar project to METRIC, but for West Germany. From 1975, a close cooperation between SYSIFO and METRIC was established, first informally. Later, thanks Westphal and de M enil, this was turned into a more formal project, named “Comparative Studies of the French and German Economies”—funded by the EHESS, the INSEE and the University of Hamburg (see “Macroeconomic dynamics project”, October 1980, 5A2 art., 215, box 76).¹⁶

In the early 1970s, Waelbroeck was also a well-established figure in the “macroeconomic modeling landscape” for the U.S.: he was involved in building large scale models within the World Bank and the LINK project (Waelbroeck, 1976; Tims and Waelbroeck, 1982). Basevi was also working within the LINK project in the 1970s. Later, when they both left the U.S. in the mid 1970s, Waelbroeck joined the Universit e libre de Bruxelles, while Basevi kept regularly visiting both Bruxelles universities.

Furthermore, note that, among the 12 European members of the core group, most of them already had close contact within the U.S. academia before the inception of the ISoM. Basevi and de M enil completed their PhD in the U.S.; Malinvaud, K onig and Portes visited the U.S. just after their PhD (all three thanks to a Rockefeller or Guggenheim visiting fellowship) and Waelbroeck and de M enil were appointed to a position in the U.S. for many years.¹⁷ This pattern is line with the trend of an *internationalization* of the economic discipline, i.e. a convergence process by different countries toward similar education, language, tools and concepts. Such a trend has been highlighted by Coats (1996); Fourcade (2006, 2009). Taking France as a more specific example of this phenomenon, Fourcade explains:

These international linkages became more active during the 1970s, when a number of corps members and graduates of the *grandes  coles* went on to pursue graduate and postgraduate studies in economics

has depended strongly on the involvement of, and authority conferred by, central administrative authorities” (*ibid.*, 186). This implied that educational patterns were concentrated by public *grandes  coles* for engineers (like *Polytechnique* or *Central*) or statisticians (the ENSAE, Ecole Nationale de Statistique et d’Administration Economique). Economists graduating from Polytechnique and ENSAE usually later joined the INSEE or other government institutions. The French participants to the ISoM (in the core group and outside) entirely matched this profile—Malinvaud, Mairesse, Artus, Gilles Oudiz, Serge-Christophe Kolm, Henri Sterdyniak (just to name a few) all graduated at the ENSAE (and some, like Malinvaud and Sterdyniak, also from *Polytechnique*) and worked either for the INSEE or for the Ministry for the Economy and Finance.

¹⁶ Two papers presented during the ISoM stemmed from this cooperative project (Artus et al., 1981; De M enil and Westphal, 1982).

¹⁷ Besides, K onig has been visiting professor at Northwestern University in 1979, where he met Gordon.

in the United States. The first generations of these foreign-trained nationals came back with their PhDs at the beginning of the 1970s.

(*Ibid.* 209)

Again, de Ménil, Malinvaud and other French participants to the ISoM (e.g. Jean-Jacques Laffont) matched perfectly this trend.¹⁸

One may say that, when de Ménil and Gordon argued about “going beyond misconceptions”, they slightly overstated the situation, at least within the ISoM. The analysis above shows how the core group running the seminar was actually already a network before the starting of the seminar. We could of course see the seminar as the opportunity to tighten or deepen these pre-existing relations; or, alternatively, to widen the network.

The participants to the ISoM

The ISoM organizers issued no call for papers. Participants, either attending or presenting, were invited by the organizers. Each advisory committee meeting during the ISoM made the decision about invitations for the year to come. The invited participants were, for most, already part of the network of the core group (Gordon, Mairesse, personal communications). A closer look to the list of participants to the second meeting (see Table 8 in the Appendix) illustrates this point. Out of 15 participants not belonging to the core group: two were presenting co-authored articles with a member of the core group (Renzo Orsi with Basevi, Julio Rotemberg with Branson); seven were appointed within the same department of a member of the core group;¹⁹ John Bilson was a former student of a member of the core group (Frenkel); finally, Pieter Korteweg was a fellow student of a member of the core group (Sachs), during their MA in Harvard (1976-1977).²⁰ A similar pattern is observed for the other seven meetings.

¹⁸ After a master degree in ENSAE, got a first Ph.D. in Paris (1972), and then in Harvard (1975), under the direction of Jerry Green and Kenneth Arrow. At the time of his participation to the 1979 ISoM, he holds an appointment in Toulouse University.

¹⁹ John Mullbauer was a colleague of Portes at Birbeck College; David Winter worked at University of Bristol like Angus Deaton; Robert Barro and Frenkel were both Harvard faculty; Henri Sterdyniak was involved in the METRIC project directed by de Ménil at the INSEE. Finally, though they did not belong to the same university, it seems reasonable to argue that Paul De Grauwe and Paul van den Bergh (Université Catholique de Louvain, Brussels) knew pretty well Waelbroeck (Université libre de Bruxelles)—as well as Malinvaud, Portes and Muellbauer because of their common interest in disequilibrium theory (see section 3). Note also that Paul Armington (Wharton Econometric Forecasting Associates) also was working within the World bank in the early 1970s, as Waelbroeck.

²⁰ Two participants attended without presenting: Akihiro Amano (Tokyo) and Pentti Kouri (MIT). The latter just completed his PhD at MIT, under the supervision of Modigliani: no clear connection to the core group emerges here—we could conjecture a link with the building

We argued that the selection of the participants was informal and based on the ISoM core group network. However, when looking carefully at the professional profiles of the participants, it seems that the ISoM genuinely overcame the “three boundaries” mentioned by Gordon and de M enil in their introductory remarks (between the U.S. and Europe, among European countries, and between academia and policy-making institutions).²¹

Table 4: **ISoM 1978-1985: nationality of affiliations**

	U.S.	Europe	France	FRG	U.K.	Italy	Belgium	Others
1978	6	15	7	2	3	2	1	0
1979	12	17	4	2	5	1	3	3
1980	12	21	8	5	9	0	2	1
1981	12	21	9	3	5	2	2	1
1982	12	14	4	5	4	0	1	0
1983	8	18	9	4	3	2	1	5
1984	11	16	8	1	1	4	1	5
1985	13	17	9	2	2	2	0	3

Table 4 above sorts the participants to the seminar according to the nationality of their institutional affiliation.²² Though U.S. American participants are always less than Europeans, one could say that the ISoM always had a balanced share of U.S. American economists and European economists, given that the seminar was held in Europe. Besides the NBER affiliation, must recurrent affiliations for U.S. participants were Princeton, Harvard, the MIT and Northwestern (in this order).

of the MPS model, in which both Modigliani and de M enil were involved, but we found no evidence for this so far. The former, Japanese macroeconomist Akihiro Amano, was trained in the U.S. (PhD, Rochester, 1963). Amano’s participation seems the first contact between the ISoM core group and Japanese scholars, a connection that gained importance in the following years, ultimately bringing to the 1987 meeting of the ISoM to be held in Tokyo. We did not further investigate this link, as this fell beyond the temporal scope of our paper.

²¹ Note that there was another boundary that organizers were not able to overcome: only three women (Diane Cumings, Brigitte Dormont and Fiorella Padoa-Schioppa) attended the seminar during eight years (over more than one hundred participants in the period under consideration)!

²² Note that we built these statistics by using, as a classification criterion, the *affiliation*, and not the personal citizenship of the participants. Hence, for instance: Lucas Papademos, originally a Greek citizen, but appointed to Columbia University, is accounted here for a U.S. participant to the conference (not an European one). Also, double affiliations—i.e. affiliation to two institutions from two different countries—have been accounted twice (though this is quite infrequent). Consequently, the total amount of affiliations reported in Table 4 is higher than the total amount of participants reported in Table 1.

The attendance by French macroeconomists is of course far more important than the attendance from other European countries (even when the seminar is held outside France, with the notable exception of the third session in Oxford); but it is also fair to notice that there was a substantial heterogeneity of the European affiliations, and that macroeconomists from West Germany and the U.K. were much involved in the ISoM. European most recurrent affiliations are the EHESS and the London School of Economics: however, besides these two institutions, other European affiliations are highly dispersed, across a dozen of different universities—conversely to U.S. academic affiliation, showing much concentration around 4 main institutions.

Table 5: **ISoM 1978-1985: Academic affiliations and affiliations to policy-making institutions**

	Academic institution	Policy-making oriented institution (Central banks, Bureau for Statistics, IMF, OECD ...)
1978	85%	15%
1979	63%	37%
1980	72%	28%
1981	71%	29%
1982	71%	29%
1983	74%	26%
1984	42%	58%
1985	68%	32%

Finally, table 5 above illustrates the attendance from policy-advisers (macroeconomists working within a policy-making institution such as central banks, Ministries, the OECD or other non-academic research centers). Macroeconomists from policy-making institutions scores a quite considerable, even if not entirely balanced with the presence of scholars (except for 1984). Gathering this different profiles was allegedly the purpose of the organizers, which were inspired by the Brookings Panel on Economic Activity (BPEA) established by the Brooking Institution in 1970 (5A2 art. 215, box 76, “A project for a series of European conferences on Macroeconomic policy”).²³ The French INSEE and Banque de France are, again, over-represented here. Other recurrent affiliation to policy-making institutions show a bias toward central banks and international institutions (OECD, European Commission).

Looking beyond the attendance, we investigated the practice of co-authoring

²³ The idea of having two discussants for each paper was also inspired by the functioning of the BPEA (Gordon, personal communication).

of articles. For sure, ISoM participants were much incline to work together: based on Tables 7-14 (Appendix), we observe that, over the 56 papers presented at the ISoM between 1978 and 1985, 30 were co-authored papers (53%). Besides, the yearly number of co-authored papers is on average 4 (over 7 papers presented each year), with maxima of 6 in 1980 and 1985 and minima of 2 in 1978 and 1983. These figures also support our claim that pre-existing work-relationships were crucial in selecting ISoM participants. Although, co-authorship records show no evidence (or clear pattern) of an increasing collaboration between the two sides of the Atlantic. Indeed, over the 30 co-authored papers, only 4 of them (13%) involved at least one U.S. and one European macroeconomist. Most co-authorships involved two Europeans (63% of the co-authored papers); but only 30% of these involved at least two authors from different European countries (in most cases, French and German macroeconomists). We should then conclude that, while indeed succeeding in encouraging the encounter and discussion of U.S. and European macroeconomists, the ISoM seems to have been less successful in encouraging co-authorships and joint work.

Our investigation of the ISoM early history came to emphasize the following general aspects: the organization and funding of the seminar relied on a core group of 19 participants, who had already well-established relations (due to common educational background or to their involvement in policy expertise and macroeconomic modeling). The participants to seminars who did not belong to the core group were invited thanks to their previous connection to at least one member of the core group; however, overall, the profiles of the participants (including the core group) fit quite well with de Ménil and Gordon's project to "overstep the boundaries" between the U.S. and European countries and between academia and policy-making institutions.

2 The big picture: the ISoM, the economy and macroeconomics

Economic policy issues at the ISoM

The ISoM wanted to encourage individual communications and collective discussion addressing economic policy issues. As explicitly stated by de Ménil and Gordon (1980), the ISoM was purposefully conceived as the occasion for an exchange on these matters—note that the "working title" for the ISoM was originally "European conferences on Macroeconomic Policy" (de Ménil, 1978, 5A2 art., 215, box 76).

More precisely, the ISoM co-founders mentioned "three notable examples" of

such topics: “the distribution of oil deficits, the need for expansionary demand policies, the desirability of an intervention on the currency market” (de M n l and Gordon, 1980, 256). For all of these topics, Gordon and de M n l emphasized a double divergence between Europe and the U.S.: a divergence in their economies (different countries seemed to react differently to the same shocks, and more or less likely to benefit from the same policy) and a divergence in their economics (different interpretations of the same phenomena). The inception of the ISoM, they argued, resulted exactly from their awareness about this double divergence, and their willingness to restore mutual understanding and common ground between U.S. and European economists (and economies).

Topics of the annual round-table (see Table 6 on next page) provide a first insight about how this ambition was put into practice by Gordon and de M n l.²⁴ The first round-table (1978) addressed “counter-inflationary policies”; round-tables for 1979, 1981 and 1983 addressed the impact of oil prices on different economies; while 1982 and 1984 round-tables were concerned, respectively, with the conduct of monetary policy (in the U.S. and West Germany) and exchange rates policies and their consequences. This four topics mirror precisely Gordon and de M n l “notable examples list” mentioned above.

The ISoM participants were persuaded that wage and price rigidities were key to explain the effects of oil shocks and of monetary and fiscal policies. Concerning oil shocks, Gordon and de M n l expressed this idea explicitly in their report about the round-table held at the 1981 meeting:

We find one major recurring theme. An economy’s adjustment to a change in oil prices depends crucially on the speed with which real wage rates can adjust to the loss in real income caused by the shock. Because of sluggish nominal wage behavior, the U.S. real wages tend to adjust promptly, as did real wages in the second Japanese and French episodes (but not the first). The lack of sufficient real wage flexibility underlies the adjustment problem experienced by both Britain and Germany in both episodes. (De M n l and Gordon, 1982, 1)

²⁴ Note that we do not dispose of minutes or papers arising from this eight round-tables (except for 1985). The following comment is then based on the titles of the round-tables (shown in the program of the conference), very short reports of the discussion (presented in the Introductions, by de M n l and Gordon, to the published proceedings), and the composition of the panel (inferred from the same source). However, we would assume that this few information is very significant. The round-tables seem pivotal in the schedule of each annual meeting: taking place at the end of the first day, they were supposedly the most attended sessions. Also, conversely to the topics of the papers, the topics of the round-tables seem likely to be decided with shorter advance; so that they better express what was felt by the organizers as the most urging or stimulating topic of the moment.

Table 6: **ISoM 1978-1985: roundtables and panel discussions**

Year	Title	Participants (affiliation)	Publication
1978	Policy roundtable: Counter-inflationary policies. National differences in constraints and priorities	De Ménil, Flemming, Gordon, Norbert Walter (Institut für Weltwirtschaft, Kiel)	No
1979	Informal discussion of macroeconomic adjustment to recent oil price increases in the industrial economies	Plenary	No
1980	Informal discussion of current macroeconomic issues	Plenary	No
1981	Discussion on the 1974 and 1979 oil shocks	Gabriel Vangrevelinghe (Direction de la prévision, Paris), Harmen Lement (Kiel university), Kumiharu Shigehara (OECD, Paris), John Flemming (Bank of England), Jeffrey Sachs (NBER). Moderator: Martin Feldstein (NBER)	No
1982	Post-Dinner roundtable on monetary policy in the U.S. and West Germany	Kloten (President of the Landescentral Bank of Badenwurttemberg) and James Tobin (Yale)	No
1983	Panel discussion of the prospects for recovery in the major OECD countries	Dornbusch, Flemming (Bank of England), König (Mannheim), Hamada (Tokyo) and Stephen Marris (OECD)	Partial
1984	Panel discussion: Will exchange rate movements impede the economic recovery?	Jeffrey Frankel, Koichi Hamada (Tokyo), Norbert Kloten (Bundesbank), and Heinrich Mattes (European Economic Commission). Chair: John Flemming (Bank of England)	Partial
1985	Introductory remarks	Raymond (Director of Research, BdFrance)	Yes

Rigidities, as “major recurring theme” of the ISoM, were not only “crucial” to understand the impact of oil shocks and their effects; moreover, different degrees of rigidities account for the different magnitudes of these effects across the OECD countries.

The ISoM participants approached the analysis of the effect of fiscal and monetary policy with a similar angle: depending on the degree of rigidities on prices and wages of an economy, monetary or fiscal stimulus would have different impacts. Cross-country observed heterogeneity in the outcome of monetary policies should be explained with this mechanism. Besides, a specific emphasis was putted into international coordination of economic policies or, to the opposite, un-coordinated (or asymmetric) policies. One illustrations of this issues is the discussion of Margaret Thatcher’s policies on competition and public spending (“Medium Term Financial Strategy”), a much recurrent topic during the meetings from 1982 to 1984 (see e.g. De M enil and Gordon, 1982).

International economic linkages, and specifically terms of trade and exchange rates, were indeed a third and crucial element of the discussion within the ISoM. This certainly need to be understood in the context of the changes in the international monetary system since 1973 (with the end of the Bretton Woods system). But also, more specifically for European participants to the ISoM, in the context of the new European monetary system (EMS), established in 1979—a couple of ISoM papers actually addressed directly issues related to the EMS (REF). Discussion about international linkages was key to the participants to the ISoM to analyze both the effects of the oils shocks and the impact of fiscal and monetary policies.

Finally, during the 1985 meeting, the topic of sovereign debt crisis—another major event of the early 1980s—took a preeminent place: over the seven papers presented, four were devoted to this policy issue.

The common ground: macroeconomics as an applied science

The importance to the ISoM participants of the policy issues aforementioned seems quite well-established; but our claim is that they *shared more* than just a set of questions, and a general insight about the potential explanation (rigidities). The actual common ground for discussion within the ISoM was actually in the *method* to address these questions. Our view is that the participants had a common vision and practice of macroeconomics as an “applied science”, i.e. a discipline addressing real-world problems, policy-oriented and based on quantitative methods. In this section, we would highlight how most of the contributions to the ISoM (and their discussions by the participants) were “applied”.

To establish whether a macroeconomic paper is “applied”, we could rely on alternative criteria.

A widespread definition of “application” describes this as the process of connecting economic theory with the real world. This general insight arises from a latent epistemological consensus among economists, along the lines suggested by Friedman (1953), about the following: every theoretical proposition can be empirically tested (refuted). Therefore: if (i) every question that might be asked to an economist could be formulated theoretically; then (ii) it follows that this question could receive a corroborated answer—i.e., between all the possible answers, the best one(s) can be selected through empirical works. In short, the methodology of positive economics suggests a perfect complementarity between theoretical and empirical work. Therefore, following this definition, a paper should be considered as “applied” if it is empirically testing a theoretical proposition.

In what follows, we decided to rely on an alternative and more comprehensive definition of application, mirroring more precisely the practices of the participants to the ISoM.²⁵

First, and most obviously, a paper is applied if (i) it directly expresses a policy recommendation (regardless of the type of arguments, theoretical or empirical, supporting such a recommendation). Second, a paper is applied if (ii) it tries to link theoretical work to economic data. Third, a paper can be said to be applied if (iii) it restrains a general theoretical framework to a peculiar situation. These three criteria are independent, i.e. not logically connected.²⁶ Note that our definition of application is broader but not contradictory to the previous one—actually quite similar to our (ii). Indeed, any applied work—whether in the sense of (i), (ii) or (iii)—can be said to reach the final purpose of selecting the best theory(ies) that can successfully answer any questions submitted to the economist, especially by policy-makers.

The contributions to the ISoM, as well as the debate within the seminar, are driven by the question of application, as defined above. To illustrate this point,

²⁵ Note that our definition builds on recent work by historians about an “applied turn” in economics during the 1970s, described in (Backhouse and Cherrier, 2016) (and HOPE forthcoming special issue).

²⁶ For example, a very abstract model (say, Walras’s general equilibrium model) can be said to be applied, in the sense (i), as soon as one claim that the model assumptions (say, about market mechanisms) should be used as a guidance to shape the real world (say, implement accordingly a specific competition policy). However, as a matter of logic, this does not implies that the model is applied in the sense (ii), i.e. it involves empirical methods; nor it implies any restriction or reformulation of the model to a particular situation—sense (iii). Similarly, an econometric model, applied in the sense of (ii), can be built to test a general hypothesis (say, the rational expectation hypothesis); however, it will not be applied in the sense of (i) and (iii). Finally, a general model (say, a large scale macroeconometric model like METRIC), can be reshaped (by adding equations or by considering peculiar specifications) to tackle some peculiar aspect (say, the impact of oil shocks on inflation): it will be then considered as applied in sense (iii), but still does not imply that it is applied in the senses (i) and (ii).

we review below two conferences (1979 and 1980), showing how all the papers and related discussions fit to (at least one of) the definitions of application.

Second meeting of the ISoM (1979, Paris)

Branson and Rotemberg (1980) aims at explaining a specific situation, namely an “uncoordinated recovery in OECD countries” following the oil shock in 1974. The first discussant of this paper, Jeffrey Sachs, enthusiastically expressed his approbation on this general ambition of the paper: “I concur in the view that industrialized economies behave differently, and that economists must continue to sort out those differences” (333). Accordingly, the models used by Branson and Rotemberg are multicountry disequilibrium models, where the degree of real wage rigidity is different from country to country. Branson and Rotemberg (1980) did not aim at building a general macroeconomic model: their goal was just to use a simplified analytic apparatus in order to explain the different effects of monetary stimulus for Germany and Japan in the one hand, and the U.S. in the other hand.

Their particular framework is motivated by further econometric investigation carried out along the paper, showing that real wage rigidities differential are relevant (more specifically, that the U.S. display nominal rigidity, while other OECD countries such as the UK, Japan, Germany and Italy display real rigidity due to wage indexation). This last econometric part is criticized both by Sachs and by Portes (the second discussant) as lacking of appropriate proxies for the variables. Despite not being the main focus of the paper, Branson and Rotemberg also discuss expansionary fiscal policies; they argue that, depending on the degree of wage rigidity, expansionary fiscal policy could have different effects, both domestic and abroad.

[to be completed]

Third meeting of the ISoM (1980, Oxford)

[to be completed]

This section, relying on the proceedings of the ISoM, illustrated how the dynamic of the discussion within the ISoM has been driven by a common concern: the applications of macroeconomics. Though the necessary carefulness required in generalizing our finding (see Introduction), we consider that the focus of ISoM on application *rather than* on theoretical diatribes, constitute a new general insight for the history of macroeconomics of this period. Moreover, the similar practice of macroeconomics as an “applied science” seems here to act as a powerful common ground for the discussion between the two sides of the Atlantic.

3 The disequilibrium theory: A downward trend?

As illustrated above, the participants to the ISoM granted a preeminent role to rigidities in wage and price. In this section, we discuss how the treatment of rigidities evolved through the first eight meetings. We argue that disequilibrium models have been the most fashionable approach to this issue, in the first years of the ISoM. Later, we observe a progressive decline of disequilibrium models, and a relative rise of rather “microfounded” models. To explain this shift, we emphasize that the point of contention within the participants has been the concern for a proper “justification” or “explanation” of the rigidities: the key assumption of disequilibrium models, that price and wage does not adjust, was criticized on the ground of being “ad hoc”.

Macroeconomists contributing to disequilibrium theory played a central role in the ISoM core group. Half of the members of the advisory committee (1978-1985; see Table 3 above) have been developing disequilibrium models in their previous work (Basevi, König, Flemming, Branson). A preeminent figure of this approach, Malinvaud, attended the seminar regularly. But moreover, he also certainly had an important influence on all the French participants to the seminar. As mentioned earlier (section 1), the French participants to the ISoM (and especially those in the core group: de Ménil, Mairesse, Artus) made acquaintance while working at the INSEE, and more specifically at the building of METRIC. Though de Ménil was head of the project, the influence of Malinvaud (as general director of the INSEE) in the construction of this model went beyond just an institutional support. As it has been acknowledge by Renault (2016), the structure of METRIC was directly drawing in the insight of the disequilibrium theory: for instance, by introducing parameters for “tension indicators” to represent disequilibrium on markets.

However, French macroeconomists had no monopoly on disequilibrium theory. One would be incline to qualify disequilibrium theory rather as a “European singularity”. Notable example of this are: the use of “tension indicators” in Franco-German joint papers (Artus et al. 1981 and De Ménil and Westphal 1982); Basevi and Orsi (1980) disequilibrium model for Italy; Muellbauer and Winter (1980); ... [to be completed]

The idea of “European singularity” is supported in “Beyond Misconceptions”, de Ménil and Gordon (1980), where it is argued that “though positions are far from rigid, the preponderance of the advocates of the rational expectations model and market clearing are Americans, whereas the preponderance of the advocates of the disequilibrium model are Europeans” (266-267). However, this was a clear overstatement: U.S. American macroeconomists was also engaging with disequilibrium models. Laffont presented his disequilibrium model with Jerry Green (Green and Laffont, 1981), and Branson and Rotemberg (1980)(Princeton) also employed disequilibrium models. [to be completed]

Though important in the treatment of price and wage rigidities, the disequilibrium approach experienced a progressive decline through the years. Since the first meetings of the ISoM, criticisms were raised against the “ad hoc” nature of the rigidities in these models. The most striking example of such a criticism has been Robert Barro (1980) discussion of Muellbauer and Winter (1980) during the second ISoM (held in 1979). Discussing Muellbauer and Winter’s paper, Barro raised a harsh attack against disequilibrium, mirroring his own “disenchantment with this style of macroanalysis” (411). Barro explained his dissatisfaction with the insufficient microfoundations of these models, and especially the “arbitrary restriction” introducing price and wage rigidities:

Although the models often contain elaborate individual maximization problems, the disequilibrium analysis invariably relies at crucial points on unexplained market failures that prevent the execution of mutually advantageous trades. Typically, there are arbitrary restrictions on the adjustment of prices.

(Ibid.)

He considered that this approach is biased in favor of policy intervention, but, because they are not being solidly theoretically microfounded, they cannot enable to carry “serious policy analysis” (*ibid.*).

Barro’s harsh comment was actually shared by other participants (though they expressed this in more gentle terms). [to be completed]

Ultimately, the result of this debate seems to be a progressive decline of the disequilibrium approach and the simultaneous rise of a more “microfounded” (i.e. based on individual maximization) approach to rigidities. Starting from 1983, [to be completed]

4 Rational expectations: the ISoM and the so-called “New Classical revolution”

The first ISoM conference, held in 1978, took place in the middle of what is called the “New Classical revolution” or “rational expectations revolution” (Miller, 1994; Wren-Lewis, 2014). The undermining of Keynesian foundations was already well under way. While developing an alternative view on macroeconomics (Lucas, 1972, 1977), the Lucas critique (Lucas, 1976) seriously casts doubts on the capacity for structural macroeconomic models to help policymaking. Precisely in 1978, Lucas and Sargent (1978) proposed their “manifesto”, arguing that macroeconomics should move over “Keynesian macroeconomics” and engage with a new

research path. The foundations were laid down for the development of “modern macroeconomics” (Shimear, 2009), relying on market-clearing and optimizing agents who form their expectations rationally (in Muth (1961) sense). As we recalled in the Introduction, it is commonplace among today’s macroeconomists to depict this events as a “scientific revolution”, overthrowing everything on its way toward “progress”.

The analysis of the ISoM provides a quite different picture of the state of the discipline, much less clear-cut and definitive.

First, note that New Classical macroeconomists (Lucas, Sargent, Wallace, Prescott) are scarcely cited in the different articles presented during the early years of the ISoM. As a matter of fact, the particularity of the conference has to be rather found in the weak influence of new classical economists there, and on the virtually absence of any echo from the U.S. struggle between Keynesian and new classical economists.

Though they were not present and hardly cited, new insights from Lucas, Sargent and coauthors were not disregarded at all by the ISoM. The treatment of expectations (how to model expectations? how to measure them?) was a major issue in the different papers presented in the ISoM; within this discussion, rational expectations were mentioned and adopted by many. Therefore, rational expectations did not appear clearly as a *dividing assumption*.

For instance, König et al. (1981) propose to integrate survey data from the “Service de la Conjoncture” of INSEE, and the Ifo Institut (Munich), to build equations of firms’ expectations formation. Then they compare their results with the rational expectations hypothesis (REH). Green and Laffont (1981) also referred to the REH in their disequilibrium model with the concept of anticipatory pricing which “has a rational expectation flavour” (200). But rational expectations were formally present in another disequilibrium model (Muellbauer and Winter, 1980). Firms, which maximize profits, form their expectations rationally to anticipate future vacancies. Nevertheless, they use a simple rule of thumb for inventories. Thus, the use of REH was not generalized in the model, which is inconsistent with Lucas and Sargent’s 1978 recommendations. In other words, the rational expectations seem to have convinced some macroeconomists to use it, but this does not mean that they accept the new classical “microfoundational program” (Hoover, 2012)—quite the contrary, as the macroeconomists cited above refused the market clearing assumption and developed disequilibrium models.

The second point we want to emphasize is that we observe several articles running simulations without using rational expectations. Without model-consistent expectations, those models do not take into account the Lucas critique argument (Grauwe and Bergh, 1980; Artus et al., 1981; De Ménil and Westphal, 1982). For example, Artus et al. (1981) ran simulations on the French METRIC and Ger-

man SYSIFO structural models in order to test different taxation policies. The models used an investment equation inspired by Jorgenson and Hall (1971) which was one of the three examples that Lucas (1976) invoked—with Friedman’s consumption function and the Phillips curve. The authors explain that even if expectations are determined endogenously in the model—for instance, the German model incorporated a capacity planning depending on future rates of change of demand—it remains that “none of these procedures does, however, produce truly model-consistent output expectations. This would require a far more extensive model specification” (Artus et al., 1981, 13). In the discussion, Nickell (1981) proposed to the author to use rational expectations *a minima*, in order to produce an “explicit account” (58) of expectations, but still avoiding fully rational expectations “which involves rather extensive model building” (*ibid.*).

[to be completed]

Conclusion

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Appendix

Table 7: **ISoM 1978: program**

Title	Author(s) (affiliation)	Discussants (affiliation)
Some Evidence on the Sources of Economic Fluctuations	Robert Hall (Stanford)	William Branson (Princeton) and Denis Sargan (LSE)
Business Cycle Stabilization Policies in a Small Econometric Model of the FRG	Jurgen Wolters (Mannheim)	John Flemming (Nuffield College) and Hall (Stanford)
Small Econometric Models of the U.S. and West Germany without Prior Restrictions	Christopher Sims (Minnesota)	John Helliwell (British Columbia) and Edmond Malinvaud (INSEE)
A Model of Wage Price Inflation	Denis Sargan (LSE)	Sims (Minnesota) and Jean Waelbroeck (Université libre de Bruxelles)
Profitability in Britain and France 1956-1975: A Comparative Study	Mervyn King (Birmingham) and Jacques Mairesse (EHESS and INSEE)	Martin Feldstein (Harvard) and Heinz König (Mannheim)
Exchange Rate Changes and their Effect on Export Price in a Disequilibrium Model of Italy's Foreign Trade	Giorgio Basevi and Renzo Orsi (Bologna)	Angus Deaton (Bristol) and Jacob Frenkel (Chicago)
The Convoy or the Locomotives: Policies to Overcome Recession	André Dramais (Université libre de Bruxelles)	Rodney Dobell (Victoria) and Serge-Christophe Kolm (CEPREMAP)
Other participants		William Branson (Princeton)

Table 8: **ISoM 1979: program.** A * indicates that the article was not published by the *European Economic Review*, vol.13(3) in the proceedings.

Title	Author(s) (affiliation)	Discussants (affiliation)
The Sources of Exchange Rate Variability*	Pieter Korteweg and Eduard Bomhoff (Rotterdam)	John Bilson (Chicago) and Giorgio Basevi (Bologna)
The Dollar, the EMS, and Macroeconomic Policy*	Vivien Levy-Garboua (Banque de France) and Henri Sterdyniak (INSEE)	John Flemming (Nuffield College) and Jacob Frenkel (Chicago)
International Adjustment with Wage Rigidity	William Branson (Princeton) and Julio Rotemberg (Princeton)	Jeffrey Sachs (NBER) and Richard Portes (Birbeck College, EHESS)
Employment, Production and Exports in British Manufacturing: A Disequilibrium Analysis	John Mullbauer (Birkbeck College, London University) and David Winter (University of Bristol)	Robert Barro (Rochester) and Edmond Malinvaud (INSEE)
Exchange Rate Dynamics and Potential Strains on the New EMS System*	Paul Armington (Wharton Econometric Forecasting Associates)	William Branson (Princeton) and Terry Burns (LSE)
Financial Policies in the Industrialized Countries and the Volatility of Exchange Rates	Paul De Grauwe and Paul van den Bergh (Louvain)	Armington (Wharton Econometric Forecasting Associates) and Uwe Westphal (Hamburg)
The Rational Expectations Approach to the Consumption Function: A Multi-country Study	John Bilson (Chicago)	Robert Hall (Stanford) and Heinz König (Mannheim)
Other participants		Akihiro Amano (Kobe University), Martin Feldstein (NBER), Pentti Kouri (MIT), Charles McLure (NBER), Jean Waelbroeck (Université libre de Bruxelles)

Table 9: **ISoM 1980: program.** A * indicates that the article was not published by the *European Economic Review*, vol.16(1) in the proceedings.

Title	Author(s) (affiliation)	Discussants (affiliation)
What Has Happened to the Natural Rate of Unemployment in the United Kingdom*	Stephen Nickell (LSE)	Martin Feldstein (NBERT) and Christian Sautter (EHESS, CEPII)
On Ex-ante Forecasting of Real Consumers' Expenditure on Non-durables in the U.K.	James Davidson and David Hendry (LSE)	Robert Hall (Stanford) and Uwe Westphal (Hamburg)
Disequilibrium Dynamics with Inventories and Anticipatory Price-Setting: Some empirical Results	Jerry Green (Harvard) and Jean-Jacques Laffont (Toulouse)	Allan Drazen (Chicago) and Richard Portes (Birbeck College and EHESS)
Flexible Exchange rates in the 1970s	Jacob Frenkel (Chicago)	William Branson (Princeton) and Roland Vaubel (Rotterdam)
Economic Policy and Private Investment Since the Oil Crisis. A Comparative Study of France and Germany	Patrick Artus (INSEE), Pierre-Alain Muet (CEPREMAP), Peter Palinkas (Hambourg), Peter Pauly (Hambourg)	Dale Jorgenson (Harvard) and Stephen Nickell (LSE)
On the Formation of Price Expectations: An Analysis of Business Test Data by Log Linear Probability Models	Marc Nerlove (Northwestern), Heinz König (Mannheim) and Gilles Oudiz (Direction de la prevision)	Laurits Christensen (Wisconsin) and Angus Deaton (Bristol)
An International Comparison of Productivity Levels	Laurits Christensen, Diane Cumings (Wisconsin) and Dale Jorgenson	Martin Baily (Brookings) and Helmut Hesse (Ibero-Amerika Institute fur Wirtschaftsforschng, Gottingen)
Other participants		John Flemming (Nuffield), David McLure (NBER), Robert Salais (INSEE), Jean Waelbroeck (Université libre de Bruxelles), Hugh Wills (LSE)

Table 10: **ISoM 1981: program.** For the published version of the articles, see *European Economic Review*, vol.18(1)

Title	Author(s) (affiliation)	Discussants (affiliation)
Labor Markets, Capital Accumulation and the Current Account following an OPEC Shock: Why Did the European Real Exchange Rates Differ so much	Francesco Giavazzi, (Venezia and Essex) and Charles Wyplosz (INSEAD)	John Flemming (Bank of England) and Paul Krugman (MIT)
External Constraints on Domestic Stabilization Policy	Stanley Fischer (MIT)	Giavazzi (Venezia and Essex) and Jacob Frenkel (Chicago)
A Test of the Equilibrium Hypothesis	Jerry Green (Harvard), Jean-Jacques Laffont (Toulouse and EHESS) and Ducos (Toulouse)	No discussant.
The Controversy about Stabilization Policies and the Weak Form Rationality of Inflationary Expectations in the EEC Countries	Francesco Papadia (Commission of the European Communities)	Heinz König (Mannheim) and Fischer (MIT)
The Worldwide Productivity Slowdown: A Comparative Analysis	William Nordhaus (Yale)	Serge-Christophe Sautter (CEPII and EHESS) and Lawrence Summers (MIT)
Monetary policy and international competitiveness	Willem H. Buiters (Bristol) and Marcus H. Miller (Warwick)	Roland Vaubel (Rotterdam) and William Nordhaus (Yale)
International Instability and Stabilization Policy: A French-German Cliometric Analysis, 1972-1980	Uwe Westphal (Hamburg) and de M�enil (EHESS)	Terry Burns (London Business school) and Branson (Princeton)
Other participants		Giorgio Basevi (Bologne), William Branson (Princeton), Robert Flood (Board of the Governors of the Federal Reserve System), McLure (NBER), Jean Waelbroeck

Table 11: **ISoM 1982: program.** For the published version of the articles, see *European Economic Review*, vol.21(1-2)

Title	Author(s) (affiliation)	Discussants (affiliation)
Inflation, financial markets, fiscal structure, and the monetary mechanism	Lucas Papademos (Columbia) and Modigliani (MIT)	Charles Goodhart (Bank of England) and Jacques Melitz (INSEE)
Public Expenditure and Inflation: the Italian case	Fiorella Padoa-Schioppa (Trieste and Louvain)	Giorgio Basevi (Bologne) and William Branson (Princeton)
Domestic Saving, international capital mobility and the current account	Martin Feldstein (NBER)	Tobin (Yale) and Westphal (Hamburg)
Portfolio Balance, Monetary Policy and the Dollar-Deutsche Mark Exchange rate	Maurice Obstfeld (Board of Governors of the Federal Reserve System)	Horst Bockelman (Bundesbank) and Jacob Frenkel (Chicago)
Some recent cyclical and structural developments of unemployment in the Federal Republic of Germany: An empirical analysis	Wolfgang Franz (Mannheim)	Harald Gerfin (University of Constance) and Feldstein (NBER)
Comparing productivity growth: An exploration of differences among and between US and French manufacturing industries and firms	Griliches (NBER) and Mairesse (EHESS, ENSAE)	Baily (Brookings) and Michael Bruno (NBER)
Causes of the current stagflation	D. Grubb (LSE), R. Jackman (LSE), and Richard Layard (LSE)	Claude Bismut (EHESS) and John Taylor (Princeton and Yale University)
Other participants		Sims (NBER), Jean Waelbroeck.

Table 12: **ISoM 1983: program.** A * indicates that the paper was not published by the *European Economic Review*, vol.25(1) in the proceedings.

Title	Author(s) (affiliation)	Discussants (affiliation)
A comparative study of inflation and savings in the United States, Germany, and the United Kingdom*	Thomas von Ungern-Sternberg (University of Bern)	Deaton (Bristol) and Hall (Stanford)
Current and anticipated deficits, interest rates and economic activity	Olivier Blanchard (Harvard)	Edmond Malinvaud (INSEE) and Stephen Marris (OECD)
Macroeconomic Policy, Inflation and Growth: Lessons from 35 years of German History*	Giuseppe Tullio (Ministry of the Budget, Rome)	Dornbusch (MIT) and Westphal (Hamburg)
An econometric model of France in the XIXth century	Bourguignon (ENS) and Maurice Levy-Leboyer (Paris X Nanterre)	Gordon (NBER, Northwestern), Montbrial, IFRI, Paris
Shunto, Rational Expectations and Japanese Monetary Policy*	Grossman (Brown university) and William Haraf (Brown)	Hamada (Tokyo university) and Sachs (Harvard)
The relation between output and unemployment in Japan	Hamada (Tokyo university)	Haraf and Mairesse (EHESS, ENSAE)
The effects of exchange rate change on the balance of trade in ten industrial countries	Thorvaldur Gylfason (University of Stockholm)	Jacob Frenkel (Chicago) and Montbrial (IFRI)
Other participants		Artus (ENSAE), Volker Bohm (Mannheim), A. Knoester (Ministry of Economic affairs, Netherlands), Guy Laroque (INSEE).

Table 13: **ISoM 1984: program.** For the published version of the articles, see *European Economic Review*, vol.28(1-2)

Title	Author(s) (affiliation)	Discussants (affiliation)
Policy Coordination, Exchange rate regimes, and capital mobility	John Taylor (NBER and Princeton)	Nordhaus (NBER and Yale) and Giampaolo Galli (Bank of Italy)
Fiscal policy and the Exchange rate in the big seven: transmission of US government spending shocks	Paul Masson (OECD) and Adrian Blundell-Wignall (OECD)	, Jacob Frenkel (NBER and Chicago), and Ignazio Visco (Bank of Italy)
Can exchange rate predictability be achieved without monetary convergence? Evidence from the EMS	Kenneth Rogoff (Board of governors of the Federal Reserve System)	Xavier Debonneuil with Michel Galy (Banque de France) and John Flemming, (Bank of England)
Monetary Target, Real Exchange Rates, and Macroeconomic Stability	Alessandro Penati (IMF)	Jeffrey Frankel (CEA) and José Pérez (Bank of Spain)
Rationality, causality, and the relation between economic conditions and the popularity of parties	Gebhard Kirchgassner (Swiss Federal Institute of Technology)	Alan Blinder (NBER and Princeton) and Peter Sturn (OECD)
Labor and investment demand at the firm level, a comparison of French, US, and German manufacturing, 1970-79	Jacques Mairesse (EHESS and ENSAE) and Brigitte Dormont (Paris IX-Dauphine)	Jorge de Macedo (Princeton) and Angelo M. Cardani (Bocconi)
International comparison of the sources of productivity slowdown 1973-1982	John Helliwell (OECD), Peter Sturn (OECD) and Gérard Salou (OECD)	Branson (NBER and Princeton) and Riccardo Fani (University of Venice)

Table 14: **ISoM 1985: program.** A * indicates that the paper was not published by the *European Economic Review*, vol.30(3) in the proceedings

Title	Author(s) (affiliation)	Discussants (affiliation)
Survey of the economics of international debt	Jonathan Eaton (Virginia), Gersovitz (Princeton) and Stiglitz (Princeton and NBER)	Guesnerie (CEQC, EHESS) and Hellwig (Bonn)
Sovereign debt as a contingent claim: Excusable default, repudiation, and reputation*	Grossman (Brown) and John Van Huyck (Brown)	Sweder Van Wijnbergen (World Bank) and Flemming (Bank of England)
Debt repudiation in the 1920s and 1930	Barry Eichengreen (Harvard) and Portes (CEPR)	Carlos Diaz-Alejandro (Columbia) and Feldstein (Harvard and NBER)
The Belmont-Morgan syndicate as an optimal investment banking contract	Peter Garber (Rochester) and Vitorio Grilli (Rochester)	Eichengreen and Giorgio Basevi (Bologne).
Foreign Borrowing, Country Risk, and the social discount rate	Sebastian Edwards (World Bank)	De Bonneuil (Banque de France) and Konig (Mannheim)
The term structure of nominal interest rates, expected inflation and anticipated changes of foreign exchange rates.	Werner Gaab (Mannheim) and Markus Granzio (Zurich)	Michel Galy (BdFrance) and Robert Hall (Stanford and NBER)
Growth and external debt under risk of debt repudiation	Daniel Cohen (Cepremap) and Sachs (Harvard)	Jon Eaton (Virginia) and Artus (Ensaie, BdFrance).
Other participants		Nordhaus (Yale and NBER) and Max Corden (Australian National University)