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MEMORIES OF DOUG PURVIS
by James Tobin (*Canadian Journal of Economics*, Vol. 28, November, 1995)

I first met Doug Purvis in June/July 1975 in Sydney, Australia. I was the guest of the Reserve Bank, invited to give some lectures, fraternize with local economists, and see the country with my wife Betty and my college-freshman son Roger, all in a mere two weeks. Doug too was a guest of the Bank, but for an extended stay and serious research. He and Trish and their small boys had settled in a house on the beach.

We had scarcely caught our breath after our flight from Tokyo before Doug introduced himself to me and invited all the Tobins to the Purvis home for a cookout. We wondered if he had cleared this hospitality with Trish, but in any case she was more than equal to the occasion. We were made to feel very much at home. We hit it off beautifully with these Canadians who were welcoming us to a strange and wonderful land.

Doug was, as he manfully admitted to me early in the game, a University of Chicago Ph.D., trained in macroeconomics and money by Milton Friedman, Harry Johnson, and Robert Mundell. I was still in the thick of a running battle with Friedman on monetary theory and macro policy. My name and my ideas, I knew, were scorned on the Midway. I doubted that my papers were understood or even read by Chicago students. I was not prepared for Doug's friendliness not just to me as a person but also to my economics.

Indeed he had given a lecture at the Reserve Bank on “The Economics of Milton Friedman and James Tobin.” In 1974, before his trip to Australia, he had prepared for his students notes on my 1960 article “Money, Capital, and Other Stores of Value.” Asset demands and macroeconomic dynamics were not an unfamiliar subject for him: They were the subject of his Chicago dissertation in the early 1970s.

I knew nothing of those antecedents when we met, but it quickly became apparent that he had read and understood a great deal of Tobin, and that he was open-minded and even sympathetic. Doug had an idea how he could reconcile the two antagonists he referred to as his mentors, Friedman and Tobin. He was so anxious to try it out on me that he brought the matter up at our welcome cookout, doubtless to the chagrin of wives and children.

Economists reading this volume may be interested in the substance of Doug's idea. One of the many issues between Friedman and Tobin was the mode of transmission of money supply changes engineered by the central bank into macroeconomic outcomes — national income, prices, production, employment. I contended that changes in interest rates and asset prices were essential links, because they induced the public both to hold the new money and to spend on goods and services. Milton argued, so it seemed to me, that the intermediate mechanics were not essential, that increases in money stock had direct causal effects on spending and consequent macro outcomes. Doug noted that I had set forth a model of portfolio selection and dynamic adjustment in which agents responded to discrepancies between target and actual asset holdings. He suggested that responses of consumption and investment to such discrepancies in money holdings might be interpreted as a Friedman-like direct effect, while the targets themselves depended on interest rates and asset prices. Doug set forth this idea in a paper "Consumption and Portfolio Decisions: Towards a Model of the Transmission Process," presented at the Reserve Bank in July 1975.

Our friendship continued, and in 1976 I was able to invite Doug to spend the summer and the fall semester at Yale, where he became a valued member of the team at the Cowles Foundation using flow-of-funds statistics to flesh out multi-asset, multi-sector financial and macroeconomic models. This was the right setting for working out the idea Doug had presented to me in Australia. At Yale Doug pursued it both theoretically and empirically, with considerable success. He developed a fruitful and lasting working relationship with David Backus, then a graduate student.

Aside from the research project, Doug taught a very effective graduate seminar on the macroeconomics of open economies. He was a delight to have in the department, participating in its seminars and informal discussions with his characteristic enthusiasm, energy, and good nature. It was wonderful to have the whole Purvis family in town. After they returned to Kingston, Doug was still affiliated with our flow-of-funds research project and came to New Haven fairly often for several years. In one summer, we Tobins enticed the Purvises to stop, en route to Western Canada, for a couple of days at our summer home in northern Wisconsin — not quite the same as Sidney, but beach and cookouts nonetheless.

My debt to Doug Purvis is immense. In 1980, the Economics Nobel Prize Committee of the Swedish Academy of Sciences commissioned Doug to write for the Committee's use an essay surveying my contributions to economic science. It must have been very persuasive, and after the award of the prize to me in 1981 Doug's essay was published in The Scandinavian Journal of Economics. In 1988, Doug brought the essay up to date, and it was republished in the festschrift on the occasion of my retirement.

This document is thorough, accurate, and exceedingly generous in its appraisals. Best of all, Doug understood not only my words article by article but, more importantly, the motivations, ambitions, values, and ways of thinking that gave some unity to my whole career. I couldn't have asked for a more sympathetic and understanding intellectual biographer.

Alas, the fest in 1988 was the last time I was to see Doug. After the festschrift was published, three years after the celebration itself, I wrote Doug to thank him for his contribution to it, but my letter arrived too late.

Our contacts were limited compared to those incidents due to his career at Queens and his life in Canada. But I cherish the memories of a man who so obviously enjoyed life — his job, his family, his friends — and lived it to the full. In all his activities, he deeply involved himself and his energies and was unfailingly enthusiastic, optimistic, and good-spirited. In economics, he really cared about the subject, the profession, the students, and the policy applications. He enjoyed the puzzle-solving aspects of the discipline, and he was good at them. But these were not ends in themselves for Doug. He wanted to get things right because he thought it mattered: our subject could be and should be beneficial to society.